



Consolidated Financial Statements
Freckle Ltd. (Formerly Knol Resources Corp.)
Years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Freckle Ltd. (formerly Knol Resources Corp.):

Opinion

We have audited the consolidated financial statements of Freckle Ltd. (formerly Knol Resources Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company had negative cash flows from operations of \$7,090,582 and incurred a comprehensive loss of \$8,942,360 during the year ended December 31, 2019 and, as of that date had an accumulated deficit of \$20,115,131. The ability of the Company to continue as a going concern is dependent upon management's ability to obtain additional financing through various means including but not limited to equity financing. These conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Wright.

Ottawa, Ontario

March 6, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Freckle Ltd. (Formerly Knol Resources Corp.)

Consolidated Statements of Financial Position

As at December 31,

(in Canadian Dollars)

	Note	2019	2018
Assets			
<i>Current Assets</i>			
Cash and cash equivalents	5	\$ 2,364,127	\$ 131,131
Trade and other receivables	6	1,236,063	833,163
Prepaid expenses		116,015	102,099
Investment tax credit recoverable	18	120,642	188,109
<i>Total current assets</i>		<u>3,836,847</u>	<u>1,254,502</u>
<i>Non Current Assets</i>			
Property and equipment, net	7	73,757	34,212
<i>Total assets</i>		<u>\$ 3,910,604</u>	<u>\$ 1,288,714</u>
Liabilities and Shareholders' Deficit			
<i>Current Liabilities</i>			
Trade and other liabilities	8	1,309,726	\$ 1,208,231
Contract liabilities	6	18,028	7,688
Current portion of loan payable	9	6,541	-
Related party demand loan	10	-	8,225,383
<i>Total current liabilities</i>		<u>1,334,295</u>	<u>9,441,302</u>
Non-current portion of loan payable	9	37,644	-
<i>Shareholders' equity (deficit)</i>			
Share capital	12	21,014,079	2,124,637
Warrants	12	1,212,669	712,117
Contributed surplus	13	400,439	156,820
Cumulative translation adjustment		26,609	(86,181)
Deficit		(20,115,131)	(11,059,981)
<i>Total Shareholders' equity (deficit)</i>		<u>2,538,665</u>	<u>(8,152,588)</u>
<i>Total Shareholders' equity (deficit) and liabilities</i>		<u>3,910,604</u>	<u>\$ 1,288,714</u>
Commitments	14		

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

Approved on behalf of the Board of Directors:

Neil Sweeney, CEO & Founder

Robert Fernicola, Chair of the Audit Committee

Freckle Ltd. (Formerly Knol Resources Corp.)

Consolidated Statements of Loss and Comprehensive Loss
Years ended December 31,
(in Canadian Dollars)

	Note	2019	2018
Revenue	15	\$ 3,455,682	\$ 3,108,044
Cost of services	16	<u>1,183,741</u>	<u>1,009,289</u>
Gross margin		<u>2,271,941</u>	<u>2,098,755</u>
Expenses			
General and administrative	17	2,139,584	1,146,433
Research and development	18	3,220,297	3,296,195
Selling and business development	19	2,946,844	2,598,055
Marketing	20	<u>1,019,250</u>	<u>491,098</u>
		<u>9,325,975</u>	<u>7,531,781</u>
Other Expenses			
Listing costs	11	<u>2,001,116</u>	<u>-</u>
Net loss before other comprehensive gain (loss)		(9,055,150)	(5,433,026)
Other comprehensive gain (loss)			
Foreign currency translation differences		112,790	(73,784)
Total comprehensive loss		<u>\$ (8,942,360)</u>	<u>\$ (5,506,810)</u>
Net loss per share			
Basic	12	\$ (0.05)	\$ (0.05)
Diluted	12	\$ (0.05)	\$ (0.05)

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

Freckle Ltd. (Formerly Knol Resources Corp.)

Consolidated Statements of Changes in Equity

Years ended

(in Canadian Dollars)

		Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Cumulative translation adjustment	Accumulated Deficit	Total Equity (Deficiency)
Balance as at January 1, 2018		100,000,000	\$ 100	\$ -	\$ 2,511	\$ (12,397)	\$ (5,626,955)	\$ (5,636,741)
Issuance of share capital related to the three financing transactions	12	14,629,627	2,194,444	731,481	-	-	-	\$ 2,925,925
Share issuance costs	12	-	(69,907)	(23,302)	-	-	-	\$ (93,209)
Broker/Finder Warrants	12	-	-	3,938	-	-	-	\$ 3,938
Share-based compensation	13	-	-	-	154,309	-	-	\$ 154,309
Net loss and comprehensive loss		-	-	-	-	(73,784)	(5,433,026)	\$ (5,506,810)
Balance as at December 31, 2018		<u>114,629,627</u>	<u>2,124,637</u>	<u>712,117</u>	<u>156,820</u>	<u>(86,181)</u>	<u>(11,059,981)</u>	<u>\$ (8,152,588)</u>
Issuance of share capital related to the private placement	11,12	7,500,000	1,125,000	375,000	-	-	-	\$ 1,500,000
Shares issued on conversion of the subscription receipts	11,12	25,145,000	5,029,000	-	-	-	-	\$ 5,029,000
Issuance of share capital and options as part of the Reverse Takeover	11,12	24,999,932	5,000,000	-	52,423	-	-	\$ 5,052,423
Share issuance costs	11,12	-	(1,114,028)	(97,120)	-	-	-	\$ (1,211,148)
Broker/Finder Warrants	11,12	-	-	222,672	-	-	-	\$ 222,672
Conversion on related party loan	10	44,247,350	8,849,470	-	-	-	-	\$ 8,849,470
Share-based compensation	13	-	-	-	191,196	-	-	\$ 191,196
Net loss and comprehensive loss		-	-	-	-	112,790	(9,055,150)	\$ (8,942,360)
Balance as at December 31, 2019		<u>216,521,909</u>	<u>21,014,079</u>	<u>1,212,669</u>	<u>400,439</u>	<u>26,609</u>	<u>(20,115,131)</u>	<u>\$ 2,538,665</u>

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

Freckle Ltd. (Formerly Knol Resources Corp.)

Consolidated Statements of Cash Flows

Years ended December 31,

(in Canadian Dollars)

	Note	2019	2018
CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN):			
Operating activities			
Net loss		\$ (9,055,150)	\$ (5,433,026)
Adjustments to net loss:			
Amortization of property and equipment	7	19,632	14,804
Listing costs	11	2,001,116	-
Interest related to financing activities, net	9,11	(13,900)	-
Share based compensation	13	191,196	154,309
Net change in non-cash operating working capital	22	(233,476)	111,458
Net cash flows used in operating activities		<u>(7,090,582)</u>	<u>(5,152,455)</u>
Financing activities			
Issuance of related party demand loans	10	624,087	2,485,615
Issuance of share capital, net issuance costs	11,12	5,251,162	2,124,537
Issuance of warrants, net issuance costs	11,12	290,669	712,117
Issuance of debt for vehicle purchase	9	45,238	-
Interest income received related to financing	11	14,342	-
Repayment of debt	9	(1,053)	-
Interest paid	9	(442)	-
Cash flows from financing activities		<u>6,224,003</u>	<u>5,322,269</u>
Investing activities			
Net cash acquired in reverse takeover	11	3,050,000	-
Purchase of property and equipment	7	(59,203)	(29,863)
Cash flows from (used in) investing activities		<u>2,990,797</u>	<u>(29,863)</u>
Effect of foreign exchange on cash and cash equivalents		108,778	(73,784)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,232,996	66,167
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		131,131	64,964
CASH AND CASH EQUIVALENTS, END OF YEAR		<u>\$ 2,364,127</u>	<u>\$ 131,131</u>

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

FRECKLE LTD. (Formerly Knol Resources Corp.)

Notes to the Consolidated Financial Statements

Years ended December 31, 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 11) and was subsequently renamed Freckle Ltd. and will continue as an Ontario Business Corporation Act 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, Australia and Singapore that is a data management platform and surveyor 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 consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting

FRECKLE LTD. (Formerly Knol Resources Corp.)

Notes to the Consolidated Financial Statements

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(in Canadian Dollars)

Standards Board (IASB). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended December 31, 2019, the Company incurred a comprehensive loss of \$8,942,360 (2018 - \$5,506,810) and negative cash flows from operations of \$7,090,582 (2018 - \$5,152,455). In addition, the Company has a working capital surplus of \$2,502,552 (2018 - \$8,186,800 deficiency) and an accumulated deficit of \$20,115,131 (2018 - \$11,059,981).

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 in fiscal 2020, is dependent upon management's ability to obtain additional financing, through various means including but not limited to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company. The above factors indicate a material uncertainty that cast significant doubt as to the Company's ability to continue to operate as a going concern.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in effect at the closing date of December 31, 2019.

On March 5, 2020, the Company's Board of Directors approved these consolidated financial statements and authorized them for issue.

FRECKLE LTD. (Formerly Knol Resources Corp.)

Notes to the Consolidated Financial Statements

Years ended December 31, 2019 and 2018

(in Canadian Dollars)

(b) Basis of measurement

The consolidated 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(s).

(c) Basis of consolidation

The consolidated financial statements include the accounts of Freckle Ltd. and its subsidiaries. The chart below summarizes the entities included in the consolidated financial statements as at December 31, 2019 and 2018.

Entity Name	Place of Incorporation	Ownership	Functional Currency
Freckle Ltd. (formerly Knol Resources Corp.)	Ontario	Parent	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

(d) Functional currency and foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is also the parent's functional currency. Transactions in foreign currencies are translated into the functional currency of the relevant parent/subsidiary company using the exchange rate in effect on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at the reporting date exchange rate are recognized in net earnings. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. The functional currency of the subsidiaries remain unchanged during the reporting period.

Monetary assets and liabilities of Freckle I.O.T. USA Inc. are translated into Canadian dollars at period end exchange rates, whereas non-monetary items are measured at historical cost are translated using the exchange rate at the date of the transaction. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using monthly average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive loss.

(e) Critical accounting estimates and judgments

The Company's consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and

FRECKLE LTD. (Formerly Knol Resources Corp.)

Notes to the Consolidated Financial Statements

Years ended December 31, 2019 and 2018

(in Canadian Dollars)

assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements.

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

Estimates

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has chosen the Black-Scholes valuation model. The Company has made estimates as to the volatility of its own share, the probable life of share options granted, the forfeiture rate of options granted, and the time of exercise of those share options.

Warrants

In calculating the value of the warrants the Company uses the Black-Scholes valuation model, key estimates such as the value of the common share, the expected life of the warrant, the volatility of the Company's stock price and the risk-free interest rate are used.

Contracts with customers

Contracts with customers often include promises to deliver multiple products or services. Determining whether such bundled products or services are considered i) distinct performance obligations that should be separately recognized, or ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment.

Judgments

Assessing the stage of completion of revenue and transaction price allocated to performance obligations

The satisfaction of the performance obligation is assessed by management by taking into consideration all information available at the reporting date. In this process, management estimates for each project's milestones and actual work performed.

For contracts with multiple performance obligations management allocates the transaction price based on the stand-alone selling prices of the good or service included following the expected cost plus a margin approach whereby management determines the level of effort to satisfy each obligation from both a system and staffing standpoint and allocates the revenue accordingly based on their judgment.

Further information on the Company's accounting policy for revenue recognition is provided in Note 3(g).

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(in Canadian Dollars)

Assessing the probability of utilizing deferred tax assets and investment tax credits

Deferred tax assets and investment tax credits are recognized for unused tax losses and credits to the extent that it is probable that taxable income will be available against which the losses can be utilized, and the likelihood of the investment tax credit being received. These estimates are reviewed at every reporting date. The tax rules in the numerous jurisdictions in which the Company operates are also taken into consideration.

Functional currency

An area of judgement that has a significant effect on the amounts recognized in these consolidated financial statements is the determination of the functional currency.

The determination of the Company and its subsidiary's functional currency often requires significant judgement where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation methods used.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of key assumptions are disclosed in Note 23.

Going concern risk assessment

The assessment of the Company's ability to continue as a going concern and raising additional debt or equity financing or attaining commercial operations and generating sufficient revenues to achieve and sustain profitability for the ensuing year, and to fund planned research and development activities, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

(f) Cash and cash equivalents

Cash represents cash deposits held at financial institutions. Cash equivalents include short-term highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less or can be redeemed for cash at any time without penalties. Cash equivalents are held for meeting short-term liquidity requirements, rather than for investment purposes. Cash and cash equivalents are held at major financial institutions and are subject to credit risk to the extent they exceed federal deposit insurance limits.

(g) Revenue recognition

IFRS 15 has been applied to all contracts applying the following steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;

FRECKLE LTD. (Formerly Knol Resources Corp.)

Notes to the Consolidated Financial Statements

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(in Canadian Dollars)

4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the Company satisfies the performance obligations.

Revenue is measured based on the consideration specified in a contract and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer. Where the Company collects remuneration from customers in advance of the Company satisfying the contractual performance obligation, these amounts are recorded as a 'contract liability'. These contract liability amounts are ultimately recorded as revenue as the Company satisfies the relevant performance obligations which form part of the contract liability balance.

Nature of goods and services:

Search, Data & Segments revenue is mainly providing mobile device location data. The performance obligation is when the location data or segment is received by the customer's systems. As the data is sent daily the Company does monthly reconciliations and recognizes revenue based on that information. This also includes the revenue generated by Killi for completed surveys, watched videos and data sold.

Digital attribution is analysis provided to customers outlining how effective their mobile and/or desktop campaign is at driving individuals to a specific location. The performance obligation is providing an attribution report. The consideration is divided equally over the number of reports provided and recognized in the month the report is delivered to the customer.

Social targeting and attribution provide customers a segment data to upload to the various social platforms to target specific users with their campaign. Once the campaign is complete (or the following month for long running campaigns) an attribution report is provided. The two performance obligations are providing the segment data and providing the attribution report. The Company recognizes the revenue evenly over these two performance obligations and in the month the information is provided to the customer.

Out-of-home attribution uses location information to determine which mobile devices saw an out-of-home advertising display ("impressions") and provides an attribution report that outlines how effective the campaign is at driving customers to a specific location. As the impression information is unique to the Company the two performance obligations are the tracking of impressions and providing the report, the revenue is evenly recognized over these two performance obligations. The impression related revenue is recognized in the month the impressions are tracked. The reporting revenue is recognized in the month the report is delivered to the customer.

As the customers are billed in the month the campaign ran, contract liabilities are recorded when a customer is invoiced in advance of the performance obligations and funds received or the Company has an unconditional right to consideration.

The Company applies the practical expedient under IFRS 15 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

FRECKLE LTD. (Formerly Knol Resources Corp.)

Notes to the Consolidated Financial Statements

Years ended December 31, 2019 and 2018

(in Canadian Dollars)

(h) Provisions

Provisions are recognized when the following criteria are met:

- i) the Company has a current obligation as a result of a past event;
- ii) it is probable that an outflow of economic resources will be required from the Company;
and
- iii) the amounts can be estimated reliably.

The timing or amount of the outflow may still be uncertain.

Provisions are established at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The Company has no provisions as at December 31, 2019 and 2018.

(i) Government assistance

Government contributions are recognized at fair value when there is reasonable assurance that the contribution will be received, and all the conditions attached to it will be complied with.

When the contribution relates to the acquisition of an asset, it is recognized in deferred income and credited to other income on a systematic basis over the useful life of the asset.

When the contribution relates to income it is deducted in reporting the related expense on a systematic basis over the periods in which the related costs for which the grant is intended to compensate are incurred.

During the year ended December 31, 2019, the Company accrued \$12,000 (2018 - \$9,000) in government contributions and received \$9,000 (2018 - \$3,000) related to prior period. The accrual amount has been included to reduce salaries and benefits related to research and development (Note 18) as the contribution does not contain any requirements or restrictions with which the Company must comply as a condition of receipt.

(j) Investment tax credit

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. These credits can be applied against future income taxes payable and are subject to a 20 year carry forward period. An estimate of the refundable investment tax credit on scientific research and development expenditures is recorded in the year the

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expenditures are incurred provided there is reasonable assurance that the credits will be received. For the year ended December 31, 2019 the Company had refundable tax credits of \$108,642 (2018 - \$179,109) that were recorded.

During the year ended December 31, 2019, the Company received payments of \$179,320 (2018 - \$264,969) related to prior period investment tax credits and earned interest on amounts held.

The salaries and benefits related to research and development are reduced by the amount of the investment tax credit earned (Note 18).

(k) Property and equipment

Property and equipment are stated at acquisition cost less accumulated amortization and impairment losses. Amortization is provided over the estimated useful lives of the assets using the following annual rates and term:

Computer Equipment	3 years	Straight Line
Furniture	5 years	Straight Line
Vehicle	6 years	Straight Line

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the general and administrative expenses. The asset residual values, useful lives and methods of amortization are reviewed at each reporting period and adjusted prospectively if appropriate.

(l) Impairment testing of property and equipment

Property and equipment are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset or related cash generating unit ("CGU") may not be recoverable. If any such indication exists, then the assets or CGU's recoverable amount is estimated. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

There have been no impairment losses recognized in any of the periods presented.

(m) Research and development expense

Research and development costs are expensed as incurred unless the criteria for capitalization are met. No research or development costs have been capitalized to date.

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(n) Share capital

Share capital represents the amount received for shares that have been issued less transaction costs directly attributable to the issuance of common shares net of any related income tax benefits.

Valuation of equity instruments in private placements

The Company has adopted a residual method with respect to the measurement of common shares and warrants issued as private placement units. Warrants attached to units are valued based on the fair value of the warrants using the Black Scholes option pricing model and the share price at the time of financing, and the difference between the proceeds raised and the value assigned to the warrants is the residual fair value of the shares. The proceeds from the issue of units are allocated between share capital and warrants, net of share issuance costs, which are allocated pro-rata based on the relative fair value of the warrants and shares issued as part of the unit. If and when the warrants are exercised, the applicable amounts of warrants are transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital.

Broker warrants

The Company uses the fair value method based on the Black-Scholes pricing model to determine the fair value of the warrants issued to brokers and records a debit to share issue costs with a corresponding credit to warrants.

Warrants within equity include warrants outstanding.

(o) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data. Basic EPS is calculated by dividing the comprehensive loss attributable to the shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the comprehensive loss attributable to shareholders and the weighted average number of shares outstanding, for the effects of all potential dilutive shares. The diluted loss per share is equal to the basic loss per share where the effect of stock options and warrants are antidilutive as it would decrease the loss per share.

(p) Share-based compensation

The Company accounts for share-based compensation arrangements using the fair value method of accounting. When employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date.

The share-based compensation cost is recorded as an expense in net loss and credited to contributed surplus.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of awards expected to vest. Estimates are subsequently revised if there is any indication that the number expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if awards ultimately exercised are

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different to that estimated on vesting. When share options are exercised, any consideration paid is credited to share capital in addition to the amount previously vested and recorded in contributed surplus.

An award with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective grants.

The Company's plan does not feature any options for cash settlement.

(q) Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive loss or directly in equity.

(r) Current tax

Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the related deferred tax is also recognized in other comprehensive loss or equity, respectively. See Note 24 for deferred tax assets which are not currently recognized in the consolidated financial statements.

(s) Financial Instruments

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and, where applicable, adjusted for transaction. They are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) at fair value through profit or loss.

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- (i) Amortized cost:
Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

- (ii) Fair value through other comprehensive income (“FVTOCI”):
Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI.

This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to classify the equity instruments, on an instrument-by-instrument basis, that would otherwise be measured at FVTPL to present subsequent changes in FVTOCI.

- (iii) Fair value through profit or loss (“FVTPL”):
Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not SPPI or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

The financial instruments are measured according to their classification or designation as described below.

Classification

	<u>IFRS 9 Classification</u>
Financial Assets	
Cash and cash equivalents	Financial asset at amortized cost
Trade receivables	Financial asset at amortized cost
Other receivables	Financial asset at amortized cost
Financial Liabilities	
Trade and other liabilities	Financial liability at amortized cost
Loan payable	Financial liability at amortized cost

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IFRS 9 uses an expected credit loss impairment model. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. For trade receivables, the Company utilized a provision matrix, as permitted under the simplified approach, and has measured the expected credit losses based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and other factors. The carrying amount of trade receivables is reduced for any expected credit loss through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of comprehensive loss. At the point when the Company is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset is written off.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within General and Administrative expenses.

Fair Value Hierarchy

The Company categorizes its financial instruments, measured at fair value in the consolidated statement of financial position, including its financial assets and financial liabilities, into a three-level fair value measurement hierarchy as follows:

Level 1: The fair value is determined directly by reference to unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: The fair value is estimated using a valuation technique based on observable market data, either directly or indirectly.

Level 3: The fair value is estimated using a valuation technique based on unobservable data.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used for the consolidated financial statements. The Company has determined that it only has one operating segment.

(u) New standards adopted

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

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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.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

The following is a listing of amendments, revisions and new International Financial Reporting Standards issued but not yet effective. The Company is currently assessing the impact of adopting the following standards on the consolidated financial statements, as described below:

IFRS 3 Business Combinations

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company does not expect the amendments to have a material impact on its consolidated financial statements.

IAS 1 Presentation of Financial Statements

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across IFRS standards and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The Company does not expect these amendments to have a material impact on its consolidated financial statements.

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5. CASH AND CASH EQUIVALENTS

On July 10, 2019 the Company purchased a \$3,000,000 redeemable guaranteed investment certificate ("GIC") with a maturity date of July 10, 2020 and an interest rate of 1.95%. As December 31, 2019 the balance of the GIC was \$2,250,000 (December 31, 2018 – nil) and the Company earned \$26,796 (2018 – nil) and received \$5,880 (2018 – nil) in interest income.

Additionally, the Company earned and received \$4,466 (2018 – nil) in interest income on cash held in a business interest account.

6. TRADE AND OTHER RECEIVABLES

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

	As at December 31, 2019	As at December 31, 2018
Input tax receivable	\$ 94,386	\$ -
Other receivables	86,226	-
Trade accounts receivable, gross	1,090,614	833,163
Allowance for credit losses	(35,163)	-
	\$ 1,236,063	\$ 833,163

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

	As at December 31, 2019	As at December 31, 2018
Opening trade receivables, gross	\$ 833,163	\$ 660,141
Less: Amounts collected during the year on receivables outstanding at January 1	820,002	648,243
Progress billings	3,476,363	2,415,718
Less: Amounts collected during the year	2,376,399	1,594,453
Less: Amounts writted off as uncollectible	22,511	-
Closing trade receivables, gross	\$ 1,090,614	\$ 833,163

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

Estimated credit loss on trade receivables							
December 31, 2019	Amounts receivable past transaction date						
	<30 days	31-60	61-90	91-180	181-360	>360 days	Total
Expected credit loss %	0.45%	0.58%	0.87%	7%	59%	100%	
Gross carrying amount	\$ 313,268	\$ 317,024	\$ 186,975	\$ 257,203	\$ 9,489	\$ 6,655	\$ 1,090,614
Expected credit loss	\$ 1,423	1,829	1,621	18,028	5,607	6,655	\$ 35,163

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The changes in the expected credit loss are as follows:

	As at December 31, 2019	As at December 31, 2018
Opening allowance for expected credit losses	\$ -	\$ -
Provision for expected credit losses	57,674	-
Less: Trade receivables written off	(22,511)	-
Closing balance for expected credit losses	<u>\$ 35,163</u>	<u>\$ -</u>

After accounting for the expected credit loss management considers that the above-stated financial assets are of good credit quality. See Note 23 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.

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

	As at December 31, 2019	As at December 31, 2018
Opening contract liabilities	\$ 7,688	\$ 353,851
Amounts recognized during the year on contract liabilities outstanding at January 1	-	346,163
Progress billings	3,476,363	2,415,718
Contract liabilities incurred	(10,341)	-
Less: Aggregate amount of revenue recognized for all contracts in progress	3,455,682	3,108,044
Contract liabilities	<u>\$ 18,028</u>	<u>\$ 7,688</u>

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7. PROPERTY AND EQUIPMENT

	Computer Equipment	Furniture	Vehicle	Total
Cost:				
At December 31, 2017	\$ 32,899	\$ 8,619	\$ -	\$ 41,518
Additions	27,511	973	-	28,484
Disposals	(1,556)	-	-	(1,556)
As December 31, 2018	<u>\$ 58,854</u>	<u>\$ 9,592</u>	<u>\$ -</u>	<u>\$ 68,446</u>
Additions	18,226	-	40,053	58,279
Disposals	-	-	-	-
As December 31, 2019	<u>\$ 77,080</u>	<u>\$ 9,592</u>	<u>\$ 40,053</u>	<u>\$ 126,725</u>
Accumulated amortization:				
At December 31, 2017	\$ 20,934	\$ 1,431	\$ -	\$ 22,365
Amortization	10,034	1,835	-	11,869
As December 31, 2018	<u>\$ 30,968</u>	<u>\$ 3,266</u>	<u>\$ -</u>	<u>\$ 34,234</u>
Amortization	15,704	1,918	1,112	18,734
As December 31, 2019	<u>\$ 46,672</u>	<u>\$ 5,184</u>	<u>\$ 1,112</u>	<u>\$ 52,968</u>
Carrying amounts:				
At December 31, 2018	<u>\$ 27,886</u>	<u>\$ 6,326</u>	<u>\$ -</u>	<u>\$ 34,212</u>
At December 31, 2019	<u>\$ 30,408</u>	<u>\$ 4,408</u>	<u>\$ 38,941</u>	<u>\$ 73,757</u>

8. TRADE AND OTHER LIABILITIES

	As at December 31, 2019	As at December 31, 2018
Trade payables	810,993	\$ 856,741
Accrued liabilities	498,733	351,490
Total trade and other liabilities	<u>1,309,726</u>	<u>\$ 1,208,231</u>

9. LOAN PAYABLE

On October 16, 2019, the Company entered into a credit agreement with a Canadian chartered bank for a vehicle in the amount of \$45,238 with payments due in equal installments until the maturity date of October 27, 2025 at which time the loan will be paid in full. The credit agreement bears an interest rate of 5.89% and the term of the loan is 72 months. During the year, the Company incurred interest of \$442 of which \$442 has been paid. This loan is secured by the vehicle which has a net book value of \$38,941 as of December 31, 2019 (December 31, 2018 – nil).

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10. RELATED PARTY DEMAND LOAN & KEY MANAGEMENT COMPENSATION

The CEO and Founder has provided funding in the form of convertible demand loans, in 2019 the funding provided was \$624,087 (2018 - \$2,485,615). On February 28, 2019 the balance outstanding as at December 31, 2018 of \$8,225,383 was converted to common shares at a rate of \$0.20, with the additional funds loaned during the year of \$624,087 being converted on April 22, 2019.

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

	<u>2019</u>	<u>2018</u>
Salaries and benefits ⁽ⁱ⁾	\$ 1,395,370	\$ 282,553
Stock based compensation	120,218	36,762
Board fees and related stock based compensation	63,517	-
Total key management compensation	\$ 1,579,105	\$ 319,315

⁽ⁱ⁾Included in salaries, benefits and recruiting within general and administrative expenses on the statement of loss and comprehensive loss are the amounts of \$13,243 (2018 - \$14,995) for a vehicle provided to an officer of the Company and \$13,200 (2018 - \$13,200) earned by an individual related to the same officer of the Company.

11. 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.

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

Consideration transferred:

Fair value of share-based consideration (24,999,932 shares at \$0.20)	\$ 5,000,000
Stock options (583,519 options)	52,423
Total consideration transferred	\$ 5,052,423

Net assets acquired:

Cash	3,050,000
Trade and other receivables	38,994
Trade and other liabilities	(37,687)
Total net assets acquired	\$ 3,051,307

Listing costs	\$ 2,001,116
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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 consolidated financial statements reflect a continuation of the financial position, loss and comprehensive loss 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 10 for the valuation assumptions). The costs were proportionately allocated to share capital and warrants

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based on the fair value of the investment. Furthermore, the Company earned \$14,342 of interest for the funds held in escrow.

12. SHARE CAPITAL

Authorized:

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

Issued and outstanding:

	<u>December 31, 2019</u>	
	<u>Number of Shares</u>	<u>Share Price</u>
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 December 31, 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 (see Note 10).

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.

	<u>December 31, 2018</u>	
	<u>Number of Shares</u>	<u>Share Price</u>
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>December 31, 2019</u>			
	Number of	Weighted	Fair value	Expiry date
	Share Warrants	average exercise price		
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
Compensation 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 December 31, 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 11 and expire 24 months after issuance.

	<u>December 31, 2018</u>			
	Number of	Weighted	Fair Value	Expiry date ⁴
	Share Warrants	average exercise price		
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.

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The below inputs and assumptions were used for the warrants issued:

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

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

Loss per share:

	<u>2019</u>	<u>2018</u>
Weighted average number of common shares outstanding	184,440,017	107,085,644
Additions to reflect the dilutive effect of employee stock options and warrants	-	-
Adjusted denominator for diluted loss per share	184,440,017	107,085,644

Options and warrants that are anti-dilutive were not included in the compilation of diluted common shares for the year ended December 31, 2019. 7,819,850 (December 31, 2018 – 6,983,000) stock options and 24,191,477 (December 31, 2018 – 14,708,377) warrants were excluded from the calculations because they were anti-dilutive.

13. 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 Board. Under the terms of the plan, the options generally vest proportionately over a three-year period and expire five years from the date of the grant. There were 4,348,517 options issued in the year ended December 31, 2019 (2018 - 5,879,501) to employees and contractors. The compensation expense related to options issued to employees and contractors for 2019 is \$243,619 (2018 - \$154,309). The portion related to former Knol employees, \$52,423 (2018 – Nil) has been recorded to listing fees, with \$191,196 (2018 - \$154,309) recorded to general and administrative expenses. During the year, the Company granted stock options with a total grant date fair value of \$310,818 (2018 - \$561,236). The Company may issue up to 10% of common shares outstanding as options under its stock option plan.

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	<u>December 31, 2019</u>	
	Number of Options	Weighted average exercise price
Outstanding, January 1, 2019	6,983,000	\$0.14
Granted	4,348,517	0.20
Exercised	-	-
Forfeited	(3,511,667)	0.21
Outstanding, December 31, 2019	7,819,850	\$0.13

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

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	\$0.05-\$0.20	\$0.15
Expected life, in years	1-5	5
Volatility	103%-110%	106%
Risk free interest rate	1.46%-1.60%	1.77% - 2.34%
Anticipated forfeiture	0%-43%	25%
Dividend yield	-	-

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

The following table summarizes information about stock options as at December 31, 2019:

<u>Options Outstanding</u>			<u>Options Exercisable</u>
Exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable
\$0.05	2,908,000	2.73	1,884,666
0.15	1,260,000	3.76	525,000
0.18	583,517	0.45	583,517
0.20	2,791,666	3.91	783,333
0.30	276,667	2.07	170,000
\$0.05-\$0.30	7,819,850	3.12	3,946,516

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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 December 31, 2019 (2018 - \$0.08).

14. COMMITMENTS

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

	As at December 31, 2019
Less than one year	\$ 266,790
Between one and five years	-

During the year \$275,257 was expensed to general and administration, cost of services and wages and benefits.

15. REVENUE

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 the years ended 2019 and 2018 (see Note 3(g)).

	2019	2018
Data & Segments	\$ 1,323,737	\$ 154,822
Digital	770,902	1,901,601
Search	742,419	545,848
Social	548,977	372,089
Out-of-home	69,647	133,684
Total revenue	\$ 3,455,682	\$ 3,108,044

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

	<u>2019</u>	<u>2018</u>
US	\$ 3,009,289	\$ 2,149,367
Canada	446,393	924,041
Mexico and Latin America	-	34,636
Total revenue	<u>\$ 3,455,682</u>	<u>\$ 3,108,044</u>

Major customers

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

	<u>2019</u>	<u>2018</u>
Customer 1	\$ 983,045	\$ -
Customer 2	487,240	-
Customer 3	394,542	-
Customer 4	-	444,393
Customer 5	-	399,057
Customer 6	-	312,000
Total revenue from major customers	<u>\$ 1,864,827</u>	<u>\$ 1,155,450</u>

Major trade receivables

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

	<u>2019</u>	<u>2018</u>
Customer 1	\$ 404,017	\$ 181,512
Customer 2	195,492	173,571
Customer 3	146,619	\$ -
Customer 4	-	\$ 103,746
Total major trade receivables	<u>\$ 746,128</u>	<u>\$ 458,829</u>

16. COST OF SERVICES

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

	<u>2019</u>	<u>2018</u>
Location data	\$ 582,966	\$ 730,574
Cross device matching services	477,260	244,682
Point of interest data	76,045	27,909
Other	47,470	6,124
	<u>\$ 1,183,741</u>	<u>\$ 1,009,289</u>

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17. GENERAL AND ADMINISTRATIVE

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

	<u>2019</u>	<u>2018</u>
Salaries, benefits and recruiting	\$ 956,393	\$ 578,531
Professional fees	610,291	306,998
Establishments	216,780	159,042
Office and personnel	207,069	125,557
Foreign exchange gains/losses	108,070	(35,291)
Other	86,852	11,597
Interest income	(45,871)	-
	<u>\$ 2,139,584</u>	<u>\$ 1,146,433</u>

18. RESEARCH AND DEVELOPMENT

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

	<u>2019</u>	<u>2018</u>
Salaries, benefits, contractors and recruiting	\$ 2,398,668	\$ 2,686,705
Cloud hosting, data processing and storage	703,650	540,207
Licenses, dues and subscriptions	87,466	37,670
Other	30,513	31,613
	<u>\$ 3,220,297</u>	<u>\$ 3,296,195</u>

19. SELLING AND BUSINESS DEVELOPMENT

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

	<u>2019</u>	<u>2018</u>
Salaries, benefits, contractors and recruiting	\$ 2,306,031	\$ 1,895,692
Travel, meals and entertainment	549,912	538,486
Licensing, dues, subscriptions	30,562	28,048
Tradeshows and other promotion	41,487	120,830
Other	18,852	14,998
	<u>\$ 2,946,844</u>	<u>\$ 2,598,054</u>

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20. MARKETING

Marketing expenses for the Company are broken down as follows:

	2019	2018
Advertising and promotion	\$ 482,227	\$ 70,458
User acquisition and retention	282,213	256,851
Salaries, benefits and contractors	247,197	126,541
Other	7,613	37,248
	<u>\$ 1,019,250</u>	<u>\$ 491,098</u>

21. PERSONNEL EXPENSES

Included in expenses are personnel expenses for the Company broken down as follows:

	2019	2018
Salaries	\$ 3,257,736	\$ 2,814,160
Benefits	393,568	334,811
Commissions	401,722	237,592
Share-based payments	243,619	154,309
	<u>\$ 4,296,645</u>	<u>\$ 3,540,872</u>

22. CASH FLOW INFORMATION

	2019	2018
Trade and other receivables	\$ (398,514)	\$ (173,022)
Prepaid expenses	(13,765)	34,951
Investment tax credit recoverable	67,467	70,607
Trade and other liabilities	101,109	525,085
Contract liabilities	10,227	(346,163)
	<u>\$ (233,476)</u>	<u>\$ 111,458</u>

During the year ended December 31, 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.

23. 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.

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

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

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

Credit risk

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

Trade accounts receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past the transaction date. The expected loss rates are based on the payment profiles of sale over a period of 24 months before December 31, 2019. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the credit worthiness for current and future customers and the GDP and unemployment rate of the countries in which the Company sells goods into to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

Trade receivables (Note 6) 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.

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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 December 31, 2019, it was determined that an allowance for credit loss of \$35,163 (2018 – nil) was required and wrote off uncollectible balances of \$22,511 (2018 – nil).

Liquidity risk

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

The following table details the Company's contractual maturities (including interest payments where applicable) for its financial liabilities as at December 31, 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 December 31, 2019					
Trade and other liabilities	\$ 1,309,726	-	-	-	\$ 1,309,726
Loan Payable	\$ 747	1,495	6,726	43,348	\$ 52,316
	<u>\$ 1,310,473</u>	<u>\$ 1,495</u>	<u>\$ 6,726</u>	<u>\$ 43,348</u>	<u>1,362,042</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.

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.

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As at December 31, 2019, the Canadian entities US-dollar net monetary assets totaled approximately US (\$264,163) (CAD \$343,095) (2018 – US \$74,986 (CAD \$102,296)) and the Company's United States subsidiaries US-dollar monetary net liabilities totaled approximately US \$82,932 (CAD \$107,712) (2018 – US \$67,106 (CAD \$91,546)). A 10% strengthening in the Canadian dollar against the United States dollar as at December 31, 2019 would have increased comprehensive loss and decreased shareholder's equity by \$23,538 (2018 - \$10,623). 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.

24. FUTURE INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial tax rates to income (loss) from operations before income taxes, shown as follows:

	As at December 31, 2019	As at December 31, 2018
Expected Tax Rate	26.50%	26.50%
Expected tax benefit resulting from loss	\$ (2,369,725)	\$ (1,459,305)
Permanent differences	635,726	65,059
Effect of other temporary differences not recognized	1,728,925	1,422,545
Rate differential	5,074	(5,470)
Other	-	(22,829)
Income tax expense (recovery)	\$ -	\$ -

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Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The following deferred tax assets and liabilities have been recognized for accounting purposes:

	As at December 31, 2019	As at December 31, 2018
Deferred tax asset	\$ 27,194	\$ 84,346
Deferred tax liability	(27,194)	(84,346)
Net deferred tax liability	\$ -	\$ -

The effect of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax liability, which has been recognized during the year are as follows:

	As at December 31, 2018	Recognized on Acquisition	Recognized in profit and loss	Recognized in goodwill	Recognized in equity	As at December 31, 2019
Deferred tax asset						
Government Incentives	\$ 84,346	\$ -	\$ (62,348)	\$ -	-	\$ 21,998
Other	-	-	5,196	-	-	5,196
	84,346	-	(57,152)	-	-	27,194
Deferred tax liability						
Fixed assets	(900)	-	530	-	-	\$ (370)
Government Incentives	(83,446)	-	61,448	-	-	\$ (21,998)
Other	-	-	(4,826)	-	-	(4,826)
	(84,346)	-	57,152	-	-	(27,194)
Net deferred tax liability	-	-	-	-	-	-

The tax effects of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax asset, which have not been recognized, are approximately as follows:

	As at December 31, 2019	As at December 31, 2018
Fixed Assets	\$ 1,336	\$ -
Share Issue Costs	1,024,844	74,567
Non-Capital Losses	16,322,175	9,634,402
Government Incentives	1,009,499	1,035,139
Other	552,225	257,153
Total	\$ 18,910,079	\$ 11,001,261

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The company has the following non-capital losses available to reduce future years' federal and provincial taxable income, which expire as follows:

	Canada	USA	Total
2035	\$ 367,894	\$ -	\$ 367,894
2036	1,048,567	-	1,048,567
2037	2,600,169	513,055	3,113,224
2038	3,611,415	1,514,132	5,125,548
2039	5,436,705	1,230,238	6,666,943
	\$ 13,064,750	\$ 3,257,425	\$ 16,322,175

As at December 31, 2019, the company does not have any gross temporary differences associated with the investment in subsidiaries.

25. 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 \$91,633 for the year ended December 31, 2018, previously included in cost of services were reclassified to selling and business development on the consolidated statement of loss and comprehensive loss as these costs are not directly linked to current period sales.