ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

Dated: July 28, 2016

OVERVIEW

Ackroo Inc. ("Ackroo" or the "Company") is a public company and its shares are listed on the TSX Venture Exchange (TSX-V:AKR). The Company was originally incorporated under the laws of the Province of British Columbia and was continued under the laws of the Province of Alberta and subsequently continued federally under the Canada Business Corporations Act. The Company's head office is located at Suite 201 – 62 Steacie Drive, Ottawa, Ontario, Canada K2K 2A9 and records office at Suite 2200 – 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of the Company for the three and six months ended June 30, 2016 and is prepared as at July 28, 2016. This MD&A should be read in conjunction with the Company's consolidated financial statements as at and for the three and six months ended June 30, 2016, the annual audited financial statements as at and for the year ended December 31, 2015, and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") (collectively referred to as the "Financial Statements"), which are available on www.sedar.com. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these Financial Statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in these filings. The Board of Directors approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

CAUTIONARY NOTE REGARDING ON FORWARD-LOOKING INFORMATION

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable Canadian securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

- The successful outcome of negotiations to acquire channel partners
- Estimated future sales
- Research and development costs
- The Company's strategies and objectives
- The Company's ability to maintain operating expense levels
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company
- The availability of qualified sales and operations employees
- General business and economic conditions
- The Company's ability to drive economies of scale
- Future financing arrangements

Readers are cautioned that the foregoing lists of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. The forward-looking statements contained in this document are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. This cautionary statement expressly qualifies the forward-looking statements.

OUTLOOK

The Company's efforts are focused on selling its cloud based gift card & loyalty platform into the retail and hospitality markets across North America with an extra focus on supporting the small to medium size business segments. Through this focus, Ackroo has developed a solution that is robust, easy to use, and affordable for all merchants. From single location mom and pops to large multi-location organizations, the Ackroo platform is built to support the growing needs of this important business segment.

Via a SaaS based business model Ackroo charges their merchants:

a) A one-time setup fee to deploy the technology and train customers
b) Monthly recurring fees to process, support and further develop the product
c) On-going one-time fees for items like collateral, custom development and other product related services (PhotoGIFTCARD merchants for instance pay 10% of the value of each card purchased)

The above model is built based on a per location cost structure so that regardless of size the solution is not only affordable for the merchant it is scalable and profitable for Ackroo.

As of June 30th, 2016 the below represents the approximate current YTD financial trends that relate to these fees: (*Non-GAAP Measures)*

- Average MRR (monthly recurrent revenue) per location is $95 per location per month
- Average initial OTR (One Time Revenue) per new location is $1,280
- Average annual recurring one-time revenue per location is $131
- Average lifetime value per location (based on a conservative 7 year minimum however trends suggest we will see at least 9 years +) is $10,177
- Cost to acquire organically through our channels is approx. $1,000 - $1,500

**Note: The above is based on the merchants who utilize the core gift card and rewards platform and not merchants that are solely using services like PhotoGIFTCARD. Management monitors these trends in order to validate and assess business progress.*

The Company's Ackroo Anywhere platform provides merchants three key interfaces for their business:

1) Real time in-store and online point-of-sale integration to allow merchants to authorize and process transactions
2) A self-serve program console to help them view critical data for reconciliation, reporting and marketing purposes while also allowing them to manage and modify their program
3) Customer interfaces to allow consumers to register, check, transfer and reload balances

Combined with Ackroo's consultative sales operations approach of not only deploying technology but also assisting their merchants with how to best utilize it upfront and ongoing, provides the Company even more differentiation in the marketplace.

The Company's online and in-store gift card & loyalty program options provide a blend of stored value capabilities (gift card) and advanced rewards features and functions (loyalty and promotions), arming businesses with their own 'private currency' and the flexibility to create customized rewards programs that resonate with their customers.

The Company acquires their customers through three distinct channels:

1. Via their integrated point of sale partners. These selected partners who sell merchant services like debit and credit or point of sale software refer their current and prospective clients to Ackroo.
2. Via direct sales efforts. Customer referrals, vertical market approaches etc.

3. Via merger and acquisition.

It is through these channels that the company now supports over 2,000 locations via the various products and services the company provides.

During the quarter ended June 30th 2016, the Company continued to execute on their 2016 organic growth plans while also advancing their technology. Some of the highlights of the Company's efforts during the quarter include:

- 77 % year over year growth from Q2 2015 to Q2 2016
- 58% year to date growth over 2015
- A 71% decrease in operating losses
- Operating losses remained in the $20-$30k per month range similar to Q1 despite increased costs from the closing of our financing and the associated legal and IR costs with that transaction
- Migration of the final legacy DealerCard merchants to the new Ackroo Anywhere Platform
- Less than 2% attrition during the quarter
- Certified and launched with a new large strategic channel partner in First Data Canada. This partnership added over 100 sales rep referral partners
- Certified with Volante Systems and Quickservice POS to help further penetrate the hospitality segment
- Developed a white labelled mobile app for merchants via the acquisition of D1 Mobile's Appetite platform in Q1 that will release to merchants in Q3 2016
- Built deeper relationships with our current channel partners to further position the Company for growth
- Restructured the long term debt to Dealer Rewards in order to reduce the amount owed in 2016 and extend the balance owed over an additional 2 years
- Closed a financing with gross proceeds of $587,316 to support short-term debt requirements and required working capital for the business.
- Created more market awareness through the financing to drive increased shareholder interest

The Company is very happy with the strong results of Q2 and are poised for a great close to 2016 and beyond!

SELECTED FINANCIAL INFORMATION

	For the six months ended June 30, 2016	**For the six months ended June 30, 2015**
Total revenues	1,107,523	700,700
Loss and comprehensive loss	(688,402)	(1,076,508)
Per share - basic and diluted	(0.04)	(0.07)
Total current assets	256,251	447,597
Total current liabilities	763,833	1,294,476
Total long-term financial liabilities	581,155	326,061
Cash	50	229,817
Total equity	644,467	574,075

Financial information prepared in accordance with International Financial Reporting Standards ("IFRS")

Operations:

As described in the overview, the Company is aggressively selling its SAAS based gift card and loyalty platform into the retail and hospitality markets across North America with an extra focus on supporting the small to medium size business segments. This platform enables small to medium sized businesses to automate the processing and management of gift card and loyalty transactions in order to increase profitability and build long-term customer relationships.

Ackroo Inc. is a holding company that has 100% ownership and control of the operating companies Ackroo Canada Inc. (formerly MoneyBar Rewards Inc.) and Ackroo Corporation. All operations to date have been managed through Ackroo Canada Inc. Ackroo Corporation is a United States based subsidiary that will be used to grow our business in the United States.

SUMMARY OF QUARTERLY RESULTS[2]

	Quarter Ended June 30, 2016	Quarter Ended March 31, 2016	Quarter Ended December 31, 2015	Quarter Ended September 30, 2015
Revenue	559,223	548,300	601,758	519,766
(Comprehensive Loss)	(414,295)	(274,107)	(236,792)	(284,382)
Basic and diluted loss per share [1]	(0.02)	(0.02)	(0.01)	(0.02)
	Quarter Ended June 30, 2015	**Quarter Ended March 31, 2015**	**Quarter Ended December 31, 2014**	**Quarter Ended September 30, 2014**
Revenue	315,562	385,138	350,260	321,972
(Comprehensive Loss)	(662,305)	(414,203)	(979,894)	(478,383)
Basic and diluted loss per share [1]	(0.04)	(0.03)	(0.15)	(0.08)

1 - *Numbers have been rounded to the next decimal for presentation purposes.*
2 - *Financial information prepared in accordance with International Financial Reporting Standards ("IFRS").*

ANALYSIS OF THE SUMMARY OF QUARTERLY RESULTS:

The Company puts great focus on increasing revenues, managing operating costs and driving shareholder value. During the most recent quarter the Company accomplished these goals by increasing revenues and managing operating costs however there was an increase in comprehensive costs due to share based compensation issued in Q2 which drove basic and diluted share loss to (0.02). The primary cause of this increase was an option grant to employees and advisors during this period, which is in lieu of greater cash compensation in an effort to maintain cash and reduce operating expenses.

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

The following analysis of the Company's operating results for the three, six months ended June 30, 2016 and includes a comparison against the three, and six months ended June 30, 2015.

Revenue

For the three months ended June 30, 2016, revenues were $559,223 compared to $315,562 for the three months ended June 30, 2015. The 77% year over year revenue growth was driven by the company's continued efforts to increase customers and revenues by selling their gift card and loyalty platform and associated services.

For the six months ended June 30, 2016, revenues were $1,107,523 compared to $700,700 for the six months ended June 30, 2015. During the six months ended June 30, 2016, the Company increased revenue by 58% as compared to the same period last year.

Expenses

Cost of goods sold for the three months ended June 30, 2016 was $196,721 compared to $91,028 for the three months ended June 30, 2015. The results show a slight margin decrease from 71% in 2015 to 64% in 2016. Cost of goods sold for the six months ended June 30, 2016 was $386,244 compared to $228,168 for the six months ended June 30, 2015. The results show a slight margin decrease from 67% in 2015 to 65% in 2016. Both the quarterly and YTD margin decreases are a result of the additional licensing fees associated with the Dealer Rewards of Canada acquisition, which will be eliminated once product migration is complete.

Depreciation for the three months ended June 30, 2016 was $3,194 compared to $3,194 for the three months ended June 30, 2015. Depreciation for the six months ended June 30, 2016 was $6,388 compared to $6,217 for the six months ended June 30, 2015. This depreciation relates to computer equipment, leasehold improvements, furniture and fixtures.

Amortization of intangible assets for the three months ended June 30, 2016 was $100,808 compared to $40,877 the three months ended June 30, 2015. Amortization of intangible assets for the six months ended June 30, 2016 was $201,617 compared to $48,152 the six months ended June 30, 2015. This amortization relates to amortization of assets acquired from Dealer Rewards of Canada 2014 Inc.

Administrative expense for the three months ended June 30, 2016 was $330,675 compared to $371,303 for the three months ended June 30, 2015. Administrative expense for the six months ended June 30, 2016 was $678,316 compared to $689,300 for the six months ended June 30, 2015. Administrative expenses saw a reduction in 2016 compared to 2015 in an effort to reduce operating costs.

Research and development for the three months ended June 30, 2016 was $119,084 compared to $137,579 for the three months ended June 30, 2015. Research and development for the six months ended June 30, 2016 was $217,762 compared to $268,079 for the six months ended June 30, 2015. This reduction was due to the company's continued efforts to reduce costs in all departments of the business while still maintaining growth.

Sales and marketing for the three months ended June 30, 2016 was $53 compared to $4,826 for the three months ended June 30, 2015. Sales and marketing for the six months ended June 30, 2016 was $797 compared to $11,469 for the six months ended June 30, 2015. The decrease in expense relates to the restructuring of certain aspects of the sales organization to move the business to a sales operations model. The Company will look to hire back into this department for growth once additional capital is available.

Stock based compensation expense for the three months ended June 30, 2016 was $158,394 as compared to $182,600 for the three months ended June 30, 2015. Stock based compensation expense for the six months ended June 30, 2016 was $260,205 as compared to $385,248 for the six months ended June 30, 2015. Stock based compensation expenses during the year six months ended June 30, 2016 and June 30, 2015 related to employee incentives and compensation to Board members.

Impairment expense for the three and six months ended June 30, 2016 was $NIL compared to $NIL for the three and six months ended June 30, 2015.

Interest income for the three months ended June 30, 2016 was $NIL compared to $592 for the three months ended June 30, 2015. Interest income for the six months ended June 30, 2016 was $NIL compared to $910 for the six months ended June 30, 2015 The income is a result of interest earned on cash deposits. Interest expense for the three months ended June 30, 2016 was $67,503 compared to $20,898 for the three months ended June 30, 2015. Interest expense for the six months ended June 30, 2016 was $134,506 compared to $23,215 for the six months ended June 30, 2015, and reflects interest on capital leases, tax filing and amortization of deemed interest on loans. The increase in interest expense is related to the Dealer Rewards Canada acquisition for accounting purposes and is non-cash bearing.

Loss from Operations

Comprehensive loss from operations for the three months ended June 30, 2016 was $414,295 compared to $662,305 for the three months ended June 30, 2015. Comprehensive loss from operations for the six months ended June 30, 2016 was $688,402 compared to $1,076,508 for the six months ended June 30, 2015. The significant decrease in loss from operations for the current period is due to the Company's decision to aggressively pursue cost reduction activities as well as increasing revenues. The operating loss from operations excluding interest, taxes, amortization, stock-based compensation and restructuring charges for the three months ended June 30, 2016 was $84,396 ($71,056 + $13,340 for non-recurring/non-operating investment services) compared to the loss of $290,246 for the three months ended June 30, 2015. The significant decrease was once again due to cost reduction activities as well as increasing revenues.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities, finance lease obligations, and loans payable. Unless otherwise noted, the carrying values of these financial instruments as presented in the condensed consolidated interim statement of financial position reasonably approximate their fair values, due to their short-term nature or their terms and conditions approximate market rates.

The Company's financial instruments have been classified as follows:

Cash and cash equivalents	fair value through profit or loss
Accounts receivable	loans and receivables
Accounts payable and accrued liabilities	other financial liabilities
Finance lease obligations	other financial liabilities

Risk Management

The Company's activities expose it to a variety of financial risks including market risk (i.e. currency risk, interest rate risk), credit and liquidity risks.

(a) Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in the market value.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's bank indebtedness bear interest based on bank's prime rate and therefore the Company is exposed to interest rate risk on this financial instrument.

Currency risk

The Company transacts primarily in Canadian dollars and is not exposed to significant currency risk.

(b) Credit risk

The Company is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Company's maximum exposure to credit risk represents the sum of the carrying value of its cash and accounts receivable. The Company's cash is deposited with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote. Management believes that the credit risk on its accounts receivable is limited as the amounts are expected to be collected in the Company's next operating cycle.

The balances as at June 30, 2016 are as follows:

	Amounts Due	Collected within 30 days of period end	Remaining Overdue Balance
1 - 30 days due	155,476	89,108	66,368
31 - 60 days due	5,857	3,741	2,116
61 - 90 days due	4,730	2,686	2,044
Greater than 90 days past due	2,865	701	2,164
	168,928	96,236	72,692

The balances as at December 31, 2015 are as follows:

	Amounts Due Due	Collected within 30 days of period end	Remaining Overdue Balance
1 - 30 days due	98,666	85,444	13,222
31 - 60 days due	9,710	6,189	3,521
61 - 90 days due	1,888	1,888	-
Greater than 90 days past due	1,278	-	1,278
	111,542	93,521	18,021

The Company provides credit to its clients in the normal course of operations. It carries out, on a continuing basis, credit checks on its clients, a review of outstanding amounts and maintains provisions for estimated uncollectible accounts. At June 30, 2016 the allowance for doubtful accounts amounted to $nil (2015 - $nil). During the three-month period ended June 30, 2016, there was no single customer that accounted for 10% or greater of the total company sales.

(c) 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's management believes its existing working capital coupled with the cash that will be generated from its operations coupled with additional financing activities will enable the Company to meet its financial obligations. Note 2 Going Concern discloses liquidity risk and management's plans.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2016, the Company has a deficit of $14,403,659 and expects to incur further losses in the development of its business. As the Company is still in its early stages of its growth plan the Company does not generate sufficient revenue and has not yet achieved profitable operations, and expects to incur further losses. The Company's objective in managing liquidity risk is to maintain sufficient liquidity in order to meet operational and investing requirements at any point in time. The Company has historically financed its operations and met its capital requirements primarily through the sale of capital stock by way of private placements, exercise of stock options, debt, and the exercise of warrants issued.

The Company's operating activities for the three months ended June 30, 2016 consumed cash of $252,123 as compared to the three months ended June 30, 2015 of $224,730. The Company's operating activities for the six months ended June 30, 2016 consumed cash of $460,729 as compared to the six months ended June 30, 2015 of $640,206. The result was due to an increase in revenues and a reduction of costs despite payments to long term debt requirements.

The operating, investing and financing activities resulted in a $151,644 decrease and a $106,338 decrease in the cash position of the Company for the six months ended June 30, 2016 and June 30, 2015 respectively. The decrease in 2016 was primarily due to the repayment of debt. The resulting cash balances were $50 and $229,820 as at June 30, 2016 and June 30, 2015, respectively.

The Company has negative working capital of $507,582 as at June 30, 2016 as compared to negative working capital of $846,879 as at June 30, 2015

The Company has future financial commitments under its office-operating leases in the amount of $54,870 for the remainder of fiscal 2016.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

CAPITAL STOCK

(a) Issued and outstanding

As at June 30, 2016 the Company had 20,886,636 common shares issued and outstanding (December 31, 2015 – 16,944,122).

During the year ended December 31, 2014, the Company completed consolidation of its issued and outstanding shares on the basis of ten pre-consolidation shares to one post-consolidation share. The comparative number of shares have been presented as if they have been consolidated.

During the year ended December 31, 2014, the Company issued 1,177,367 common shares pursuant to private placements for cash consideration of $963,550 before the impact of share issue costs and the amount allocated to warrants.

During 2015, the Company closed a private placement for net proceeds of $1,246,285. The offering was oversubscribed. The Company issued 8,364,165 units to subscribers at a price of $0.15 per unit, each unit consisting of one common share and one share purchase warrant, each whole warrant entitling the holder to acquire one additional common share of the Company at a price of $0.25 per share for a period of 12 months. No finder's fees or commissions were paid in connection with the closing of the private placement.

During the first 3 months of 2016, 440,000 warrants were exercised by shareholders and executives of the company and 450,000 options were granted to executives of the company.

During the second quarter of 2016, the Company closed a private placement for net proceeds of $587,316. The Company issued 2,936,580 units to subscribers at a price of $0.20 per unit. No finder's fees or commissions were paid in connection with the closing of the private placement.

b) Escrow shares

On October 1, 2012 the Company completed the acquisition of MoneyBar Transactions Canada Inc. ("MoneyBar") and issued 4,585,679 common shares of which 3,048,538 were placed in escrow. These were in addition to 57,101 common shares which were held in escrow prior to the acquisition of MoneyBar.

As at December 31, 2015, NIL common shares remained in escrow (2014 - 2,351,534 shares).

c) Outstanding warrants

In connection with the January 20, 2015 private placement, the Company issued 8,364,165 share purchase warrants. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.25 per share until January 20, 2016. The Company determined the fair value of the share purchase warrants and allocated the residual value to the common shares.

During the year ended December 31, 2014, in connection with private placements, the Company issued 588,683 subscription warrants to acquire one common share at exercise price between $1.00 and $2.20 per share expired between January 31, 2015 and July 15, 2015. Ackroo issued 67,073 warrants to agents and finders who provided assistance in connection with the private placement completed by the Company. Each agent warrant entitles the holder to acquire one common share at exercise price between $1.00 and $2.20 per share expired between January 31, 2015 and July 15, 2015. The Company determined the fair value of the warrants and allocated the residual value to the common shares.

In connection with a private placement immediately before the completion of the acquisition of MoneyBar in 2012, the Company issued 784,148 share purchase warrants. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of $7.00 per share until October 1, 2015. The Company determined the fair value of the share purchase warrant and allocated the residual value to the common shares. Ackroo issued 61,123 options to agents and finders who provided assistance in connection with the private placement completed by MoneyBar. Each agent option entitles the holder to acquire one Ackroo common share and one common share purchase warrant at a price of $4.50 until October 1, 2014.

A summary of the Company's warrant activity is as follows:

	Number of warrants	**Weighted Average Exercise Price**
Balance at December 31, 2013	**845,270**	**$ 6.82**
Warrants expired	(61,123)	(4.50)
Warrants exercised	-	-
Agent warrants issued	-	-
Warrants issued	655,757	1.38
Balance at December 31, 2014	**1,439,904**	**$ 4.44**
Warrants expired	(1,439,904)	(4.44)
Warrants exercised	(490,000)	(0.25)
Warrants issued	8,664,165	0.25
Balance at December 31, 2015	**8,174,165**	**$ 0.25**
Warrants expired	**(7,434,165)**	**-**
Warrants exercised	**(440,000)**	**$ 0.25**
Warrants issued	**-**	**-**
Balance at June 30, 2016	**300,000**	**$ 0.37**

Ackroo issued 300,000 warrants at a price of $0.37 on July 13, 2015 in settlement of certain outstanding obligations of the Company. Each warrant entitles the holder to acquire one common share with an expiry date of July 13, 2018.

The fair value of the warrants issued in 2015 totaled $1,357,685. The fair value was calculated using the Black-Scholes model using risk-free interest rate between 0.97% and 1.10%, volatility between 180% and 194%, expected life between 1 and 3 years and 0% dividend yield.

d) Stock options

Under the terms of Ackroo, approved Stock Option Plan (ESOP) the Board of Directors of Ackroo may, from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of Ackroo options to purchase common shares, provided that the number of common shares reserved for issuance, together with those to be issued pursuant to options previously granted, does not exceed 10% of the issued and outstanding common shares at the time of the grant. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis, or 2% if the optionee is engaged in investor relations activities or is a consultant.

Under Exchange policy, all such rolling stock option plans which set the number of common shares issuable under the plan at a maximum of 10% of the issued and outstanding common shares must be approved and ratified by shareholders on an annual basis. There are currently 20,886,636 common shares outstanding, which means that up to 2,088,663 Ackroo Shares could be reserved for issuance upon the exercise of stock options.

Options are exercisable over periods of up to ten years as determined by the Board of Directors and are required to have an exercise price no less than the closing market price of the common shares prevailing

on the day that the option is granted less a discount of up to 25%, with the amount of the discount varying with market price in accordance with the policies of the Exchange. Options held by an officer, director or service
provider (not conducting investor relations) expire 30 days after the option holder has left office or the service provider ceases providing services, and for options held by service providers conducting investor relations, 30 days after Ackroo terminates that relationship. In the case of the death of an employee, officer, director or other service provider, the option may be exercised by a personal representative or heir until the earlier of the option's expiry or one year after the option holder died.

Pursuant to the Stock Option Plan, the Board of Directors may from time to time authorize the grant of options to directors, officers, employees and consultants of Ackroo or employees of companies providing management or consulting services to Ackroo. Other than options granted to consultants performing investor relations activities which must vest in stages over 12 months with no more than one-quarter of the options vesting in any three-month period, the Stock Option Plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion.

A summary of the Company's stock option activity is as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2013	**564,903**		**$2.50**
Expired/Cancelled	-562,457		2.78
Granted	353,417		0.87
Balance, December 31, 2014	**355,863**		**$1.18**
ESOP Options Granted	1,710,000		27
ESOP Expired/Cancelled	-589,292		1.18
Exercised	-495,000		0.21
Balance, December 31, 2015	**981,571**		**$0.46**
ESOP Options Granted	1,280,000		0.22
ESOP Expired/Cancelled	-290,000		0.33
Balance, June 30, 2016	**1,971,571**	**$**	**0.27**

At June 30, 2016, a summary of stock options outstanding and exercisable are as follows:

Grant Date	Number of Options Outstanding	Number of Options Exercisable		Exercise Price	Expiry Date	Remaining Contractual Life (years)
October 1, 2012	21,571	21,571	$	1.00	October 1, 2017	1.25
July 15, 2014	20,000	4,120	$	1.00	July 15, 2024	7.94
January 19, 2015	200,000	200,000	$	0.21	January 18, 2018	1.50
June 15, 2015	450,000	450,000	$	0.37	June 15, 2018	2.00
January 11, 2016	450,000	450,000	$	0.25	January 11, 2019	2.71
June 7, 2016	830,000	830,000	$	0.20	June 7, 2019	3.00
June 30, 2016	**1,971,571**	**1,955,691**	**$**	**0.27**		

Subsequent to June 30, 2016, the Company granted 250,000 stock options exercisable at a price of $0.26 per option, expiring after three years and vesting immediately with an issue date of July 15, 2016. In addition, 200,000 were exercised at a price of $0.25 on July 15, 2016.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2015	2014
Risk free interest rate	1.00%	1.00%
Dividend yield	NIL	NIL
Expected volatility	185.00%	190.00%
Expected life	1-3 years	1-3 Years

Compensation expense recorded for options granted in 2016 totaled $260,205 (2015 - $436,408).

The Company uses the Black-Scholes model to calculate option fair values which requires highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. The expected volatility is based on the Company's historical volatility since it became publicly listed plus the historical volatility of the TSX Venture index for the period before its public listing. The expected life is the average expected period to exercise, which given the Company's limited option history, was based on industry benchmarks. The risk free interest rate is the yield on zero-coupon Canadian government bonds of a term consistent with the assumed option expected life.

RELATED PARTY TRANSACTIONS

On January 11, 2016 the company entered into an agreement with a member of the management team to defer payment for the exercise of warrants over a period of up to three (3) years. The amount of the warrant exercise is reflected in the "due from related party" as shown in the financial statements and as of June 30, 2016, no amount has been drawn down. This is a non-cash transaction.

BUSINESS COMBINATION

Effective January 20, 2015, the Company acquired certain assets of Gift2Gift Corp. ("Gift2Gift"), a company incorporated under the federal laws of Canada, for cash consideration of $150,000.

This strategic acquisition will further strengthen Ackroo's penetration of the rapidly growing, multi-billion dollar gift card market by adding innovative features to their existing market leading platform. This acquisition will also potentially increase Ackroo's merchant footprint by adding Gift2Gift Corp.'s more than 500 merchant locations.

Gift2Gift Corp. is a privately held company with deep roots in consumer goods marketing, production and distribution. The Company provides a software and fulfillment solution that allows consumers or companies to personalize or co-brand their favorite gift card. Recognizing the opportunity to address the Gift Card market with a personal touch was the seed for developing their proprietary PhotoGIFTCARD.com system. The Company's focus is on providing a simple, flexible, user-friendly service that anyone can use. Gift2Gift Corp. is headquartered in Vancouver, BC, Canada.

Fair value assets acquired were:

Computer equipment	$ 1,975
Customer contracts	$ 43,827
Intellectual property	$ 79,611
Goodwill arising on acquisition	$ 24,587
	$ 150,000

The total amount of goodwill that is expected to be deductible for tax purposes is $18,440.

Effective May 29, 2015, the Company acquired certain assets of Dealer Rewards of Canada 2014 lnc. ("Dealer Rewards"), a company incorporated under the federal laws of Canada, and a division of Dealer Rewards Inc. and their affiliate Evolve Automotive Group Inc., for a purchase price of $1,500,000 in cash and 769,231 common shares of Ackroo with a fair value of $369,231. The acquisition was accounted for as a business combination.

This strategic acquisition will further strengthen Ackroo's penetration of the automotive sector and the rapidly growing, multi-billion dollar gift card and loyalty market. This acquisition increases Ackroo's merchant footprint by adding 107 dealer locations and increases the Companies recurring revenue by more than $53,000 per month. The Company also gains ample opportunity to gain one-time revenue from these current and growing customers.

Dealer Rewards Canada is a privately held subsidiary of Dealer Rewards Inc. The Company provides a SaaS based solution platform that assists automotive dealers with increasing revenues, increasing customer loyalty and retention, reducing advertising costs concurrent with improving financial performance and improving long-term stability. The Company's focus is on providing a simple, flexible, user-friendly solution to help grow their automotive business. Dealer Rewards Inc. is headquartered in Delaware, USA. For more information, visit: www.dealerrewards.com

As of July 28th 2016 the Company has paid Dealer Rewards of Canada $700,000 in cash and has a remaining balance of $800,000 owed. Through a restructuring of the agreement the final $800,000 is owed with interest and paid monthly starting January 2017. The parties have agreed to pay the final amount across a 24-month term resulting in monthly payments including interest of $36,916 per month starting January 2017. There are no further payments owed in 2016 in respect to the purchase agreement.

Fair value of net assets acquired were:

Inventory	$ 7,300
Customer contracts	$ 1,078,764
Goodwill arising on acquisition	$ 603,456
	$ 1,689,520
Deferred tax liability	$ 71,000
Net asset acquired	**$ 1,618,520**

Partial goodwill arose as a result of the recognition of the deferred tax liability with the deferred tax liability representing the tax effect of the difference between the tax value and fair value of the customer contracts. The total amount of goodwill that is expected to be deductible for tax purposes is $452,592.

D1 Mobile Corp.

On March 14th, 2016 the company completed an asset purchase agreement with D1 Mobile Corp. for the software technologies and customer contracts owned by the Vendor. The purchase agreement consisted of 500,000 common shares in Ackroo Inc. with no cash consideration. In addition, Ackroo entered into a consulting agreement with D1 Mobile Corp effective the date of the Asset Purchase agreement that may be terminated by either party with 30 days' notice. The compensation for the consulting agreement is a base rate of $5,000/per month plus an additional Royalty bonus as per below.

All equity consideration was paid at closing and the value of the assets were recorded at fair market value. The value of the assets were calculated using a discounted cash flow based on the existing operations of the business for a 5 year timeframe in conjunction with consideration for the consulting agreement and an expected royalty bonus provision totalling net value of $206,832. It was determined that the value of the acquisition exceeded the consideration paid for the assets and a gain on acquisition was recorded in the amount of $86,832.

Fair value of net assets acquired were:

Inventory	-
Customer contracts	206,832
Gain on Acquisition	(86,832)
Consideration Paid	$120,000

Royalty Bonus: In addition to the compensation set forth above, the Consultant shall be entitled to receive a cash bonus equivalent to forty (40%) of the portion of gross revenue derived, and collected, by the Company, which exceeds the aggregate of $50,000.00 and any amounts paid to the Consultant pursuant to section 1.6, from each of the Designated Clients (as defined below). The amount shall be paid to the Consultant on a quarterly basis, for a period of two (2) years following the Closing Date (as defined in the Purchase Agreement), and each installment shall be due and payable on the date which is sixty (60) days following the conclusion of each fiscal quarter of Ackroo Inc. At the time of completion of payment, the Company shall render to the Consultant a statement evidencing the calculation of the bonus payable, and such statement shall be definitive proof of the amount of the bonus owing to the Consultant.

Additional Bonus: The Consultant shall be entitled to a further cash bonus equivalent to seventy (70%) percent of all cash amounts received by the Company for the provision of services to FRESHii Inc. during the three (3) month period commencing on the Closing Date (as defined in the Purchase Agreement), and one-hundred (100%) percent of all cash amounts received by the Company for the provision of services to Yogen Fruz during the one (1) month period commencing on the Closing Date (as defined in the Purchase Agreement). Any such bonus amount shall be paid to the Consultant within fifteen (15) calendar days following the conclusion of such three (3) month period.

RISKS AND UNCERTAINTIES

The Ability to Manage Growth

Should the Company be successful in its efforts to acquire customers it will experience significant growth in operations. If this occurs management anticipates that additional expansion will be required in order to continue development. Any expansion of the Company's business would place further demands on its management, operational capacity and financial resources. The failure to manage growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

Possible Dilution to Present and Prospective Shareholders

The Company's plan of operation, in part, contemplates the further issuance of securities of the Company and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Dependence of Key Personnel
The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term.

Lack of Trading
The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of Share Price
Market prices for shares of TSX Venture Exchange companies are often volatile. Factors such as announcements of financial results, and other factors could have a significant effect on the price of the Company's shares.

Trends and Uncertainties
The Company's ability to generate revenues in the future is dependent on its ability to successfully acquire channel partners, customers and create an infrastructure to economically manage any resulting growth in operations.

Future Operations
Presently, the Company revenues are not sufficient to meet operating and capital expenses and the Company has incurred operating losses since inception, which are likely to continue for the foreseeable future. The Company anticipates that it will have negative cash flows in the near term. There is no assurance that the Company will operate profitably or will generate positive cash flow in the future. In addition, the Company's operating results in the future may be subject to significant fluctuations due to many factors not within our control, such as the unpredictability of when customers will place orders, the size of customers' orders, the demand for the Company's platform and solutions, the level of competition and general economic conditions. The Company expects to incur operating losses and negative cash flow until its platform gain market acceptance sufficient to generate a commercially viable and sustainable level of sales so that it is operating in a profitable manner. These circumstances raise doubt about the Company's ability to continue as a going concern

CRITICAL ACCOUNTING ESTIMATES

There have been no significant changes to any accounting estimates as disclosed in the Company's most recent audited financial statements as at and for the period ended December 31, 2015.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has disclosed information of standards issued but not yet effective in Note 4 to the Consolidated Financial Statements which accompany this MD&A.

ADDITIONAL INFORMATION

Additional information relating to the Company is available at www.sedar.com.