

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**For**

**ACKROO INC.**

*(THE "COMPANY" OR "ACKROO")*

**As at and for the three-month and nine-month periods ended SEPTEMBER 30, 2015  
(unaudited)**

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

The Management of the Company is responsible for the preparation of the accompanying unaudited condensed consolidated interim financial statements. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

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

**ACKROO INC.**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
 (UNAUDITED – PREPARED BY MANAGEMENT)  
 (Expressed in Canadian Dollars except for number of shares)

	<u>September 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014 (Audited)</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 156,870	\$ 336,158
Accounts receivable (note 5)	179,742	173,099
Inventory	37,011	29,892
Prepaid expenses and other assets	<u>19,756</u>	<u>79,983</u>
	<u>393,379</u>	<u>619,132</u>
<b>NON-CURRENT ASSETS</b>		
Intangible assets (notes 7 and 8)	1,060,742	-
Goodwill (note 8)	664,043	-
Property and equipment (note 9)	<u>28,978</u>	<u>31,904</u>
	<u>1,753,763</u>	<u>31,904</u>
	<u>\$ 2,147,142</u>	<u>\$ 651,036</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	219,240	363,618
Advances from subscriptions	-	590,460
Current portion of finance lease obligations	-	4,254
Current portion of deferred revenue	22,040	95,487
Current portion of long-term debt (note 6 and 10)	<u>959,822</u>	<u>76,000</u>
	1,201,102	1,129,819
<b>DEFERRED REVENUE</b>	3,750	10,500
<b>DEFERRED TAX LIABILITY (note 6)</b>	107,000	-
<b>LONG-TERM DEBT (note 6 and 10)</b>	<u>341,163</u>	<u>29,000</u>
	<u>1,653,015</u>	<u>1,169,319</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 12)	9,296,559	8,346,721
Agent options (note 12)	97,600	97,600
Warrants (note 12)	2,885,274	1,600,600
Contributed surplus (note 12)	1,693,159	1,554,371
Deficit	<u>(13,478,465)</u>	<u>(12,117,575)</u>
	<u>494,127</u>	<u>(518,283)</u>
	<u>\$ 2,147,142</u>	<u>\$ 651,036</u>

Approved by the Board:

.....STEVE LEVELY ..... Director

..... SAM COLE..... Director

(See accompanying notes)

**ACKROO INC.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(UNAUDITED – PREPARED BY MANAGEMENT)

(Expressed in Canadian Dollars except for number of shares)

	<u>Common shares</u>		<u>Agent</u>		<u>Contributed</u>	<u>Accumulated</u>	
	<u>Number</u>	<u>Amount</u>	<u>Options</u>	<u>Warrants</u>	<u>Surplus</u>	<u>deficit</u>	<u>Total</u>
Balance at December 31, 2013	5,714,412 <sup>1</sup>	\$ 7,716,483	\$ 97,600	\$ 1,315,900	\$ 1,288,801	\$ (9,307,283)	\$ 1,111,501
Shares subscribed for cash	1,177,367	\$ 601,417	\$ 33,500	\$ 293,500			\$ 928,417
Share-based compensation	-	-	-	-	\$ 383,135	-	\$ 383,135
Share consolidation adjustment	(119)						
Comprehensive loss	-	-	-	-	-	\$ (1,830,416)	\$ (1,830,416)
Balance at September 30, 2014	6,891,660	\$ 8,317,900	\$ 131,100	\$ 1,609,400	\$ 1,671,936	\$ (11,137,699)	\$ 592,637
Balance at December 31, 2014	6,891,660	\$ 8,346,721	\$ 97,600	\$ 1,600,600	\$ 1,554,371	\$ (12,117,575)	\$ (518,283)
Shares subscribed for cash	8,364,165			\$ 1,246,285			\$ 1,246,285
Shares subscribed from business combination	703,297	\$ 337,583					\$ 337,583
Shares subscribed from warrants	490,000	\$ 195,511		\$ (73,011)			\$ 122,500
Shares subscribed from options	495,000	\$ 416,744			\$ (312,794)		\$ 103,950
Warrants issued				\$ 111,400			\$ 111,400
Share-based compensation		-	-	-	\$ 451,582	-	\$ 451,582
Comprehensive loss	-	-	-	-	-	\$ (1,360,890)	\$ (1,360,890)
Balance at September 30, 2015	16,944,122	\$ 9,296,559	\$ 97,600	\$ 2,885,274	\$ 1,693,159	\$ (13,478,465)	\$ 494,127

<sup>1</sup> Adjusted to give effect to the 1 for 10 share exchange

(See accompanying notes)

**ACKROO INC.**

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**

(UNAUDITED – PREPARED BY MANAGEMENT)

(Expressed in Canadian Dollars)

	Nine months ended September 30, 2015	Nine months ended September 30, 2014	Three months ended September 30, 2015	Three months ended September 30, 2014
<b>Sales</b>				
Subscription and service	\$ 838,247	\$ 773,622	\$ 351,326	\$ 268,123
Product	382,219	204,284	168,440	53,849
	<u>1,220,466</u>	<u>977,906</u>	<u>519,766</u>	<u>321,972</u>
<b>Cost of sales</b>				
Subscription and service	231,522	178,483	132,671	52,558
Product	180,562	78,341	51,243	25,091
	<u>412,084</u>	<u>256,824</u>	<u>183,914</u>	<u>77,649</u>
<b>Gross profit</b>	<u>808,382</u>	<u>721,082</u>	<u>335,852</u>	<u>244,323</u>
<b>Expenses</b>				
Administration	1,029,775	960,413	340,476	308,133
Research and development costs	403,978	552,489	135,898	135,771
Sales and marketing	14,865	537,327	3,396	64,749
Share-based compensation expense (Note 12d)	451,582	383,135	66,334	137,672
Amortization of intangible assets	148,960	210,925	100,809	70,308
Amortization of property and equipment	9,411	39,130	3,194	13,043
Foreign exchange loss (gain)	(6,516)	(4,751)	296	432
Investment tax credits and non-refundable grants	(90,223)	(135,428)	(90,223)	(10,345)
	<u>1,961,832</u>	<u>2,543,240</u>	<u>560,180</u>	<u>719,763</u>
<b>Loss before the following items</b>	<u>(1,153,450)</u>	<u>(1,822,158)</u>	<u>(224,328)</u>	<u>(475,440)</u>
Dispute settlement (note 13d)	(125,082)	-	-	-
Interest income	947	872	36	29
Interest expense	(83,305)	(9,130)	(60,090)	(2,972)
	<u>(207,440)</u>	<u>(8,258)</u>	<u>(60,054)</u>	<u>(2,943)</u>
<b>Comprehensive loss</b>	<u>\$ (1,360,890)</u>	<u>\$ (1,830,416)</u>	<u>\$ (284,382)</u>	<u>\$ (478,383)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.09)</u>	<u>\$ (0.30)</u>	<u>\$ (0.02)</u>	<u>\$ (0.07)</u>
<b>Weighted average number of common shares outstanding</b>	<u>15,741,235</u>	<u>6,270,976</u>	<u>16,883,023</u>	<u>6,760,931</u>

(See accompanying notes)

**ACKROO INC.**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

(UNAUDITED – PREPARED BY MANAGEMENT)

(Expressed in Canadian Dollars)

	Nine months ended September 30, 2015	Nine months ended September 30, 2014
<b>CASH FLOWS PROVIDED BY /(USED IN) OPERATING ACTIVITIES</b>		
Comprehensive loss	\$ (1,360,890)	\$ (1,830,416)
Items not affecting cash:		
Amortization of deemed interest	78,556	-
Amortization of property and equipment	9,411	39,130
Amortization of intangible assets	148,960	210,925
Amortization of leasehold inducement	-	(16,758)
Dispute settlement	111,400	-
Share-based compensation	451,582	383,135
	(560,981)	(1,213,984)
Changes in non-cash working capital items:		
Accounts receivable	(6,643)	154,492
Prepaid expenses	60,226	(32,612)
Inventory	182	-
Accounts payable and accrued liabilities	(144,378)	(31,042)
Deferred revenue	(80,197)	21,197
	(731,791)	(1,101,949)
<b>CASH FLOWS PROVIDED BY /(USED IN) INVESTING ACTIVITIES</b>		
Addition to property and equipment	(4,510)	(11,975)
Addition to intangible asset	(107,500)	-
	(112,010)	(11,975)
<b>CASH FLOWS PROVIDED BY /(USED IN) FINANCING ACTIVITIES</b>		
Repayment of bank indebtedness	-	35,000
Net advances (repayment) of loans payable	-	(6,638)
Repayments of long-term debt - net	(63,509)	-
Repayments of capital lease obligations	(4,254)	(5,358)
Issuance of capital stock	1,322,736	928,417
Advances from subscriptions	(590,460)	-
	664,513	951,421
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(179,288)	(162,503)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	336,158	250,363
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 156,870	\$ 87,860

(See accompanying notes)

## **ACKROO INC.**

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015**

#### **1. NATURE OF OPERATIONS**

Ackroo Inc. ("Ackroo" or the "Company") is a public company and its shares are listed on the TSX Venture Exchange (TSX-V:AKR) and OTC Markets (OTC: AKRFF). The Company is incorporated under the Canada Business Corporations Act. The Company's head office is located at 62 Steacie Drive, Suite 201, Ottawa, Ontario, Canada. The Company develops and sells an online loyalty and rewards platform that enables businesses to design and execute customer transaction, engagement and retention strategies.

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

These condensed consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date the Company has incurred an accumulated loss of \$13,478,465 and negative cash flow from operations as the Company invests in the commercialization of its loyalty rewards product and service offering. This raises doubt about the ability of the Company to continue as a going concern. The Company has raised equity to fund the commercialization activities and product enhancements. The Company expects that the investment it has made in 2013 and 2014 in its sales and marketing programs will result in a significant increase in revenue. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue sufficient to fund its cash flow needs. There is no certainty that these and other strategies will be sufficient to permit the Company to continue as a going concern.

The condensed consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these condensed consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the classifications used in the statement of financial position. Such differences in amounts could be material.

#### **3. BASIS OF PREPARATION**

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting, using accounting policies that the Company adopted in its consolidated financial statements as at and for the year ended December 31, 2014.

The condensed consolidated interim financial statements do not include all of the information required for the full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2014, which are available on [www.sedar.com](http://www.sedar.com).

**ACKROO INC.**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015**

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary Ackroo Canada Inc. All significant intercompany transactions have been eliminated.

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on October 27, 2015.

The condensed consolidated financial statements are presented using the Canadian dollar, which is the Company's functional currency.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except that derivative financial instruments are stated at their fair value.

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent audited financial statements as at and for the year ended December 31, 2014 which is available at [www.sedar.com](http://www.sedar.com), and reflect all adjustments necessary for fair presentation in accordance with IAS 34.

The condensed consolidated interim financial statements should be read in conjunction with the December 31, 2014 audited consolidated financial statements.

**5. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities, finance lease obligations and long-term debt. 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 and long-term debt	held to maturity

*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.

**ACKROO INC.**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015**

*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 capital leases and long term debt bear interest at fixed rate. Bank indebtedness is based on market rates plus a fixed percentage and represents some risk. As a whole, the Company's exposure to interest rate risk is minimal.

*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 cash equivalents and accounts receivable. The Company's cash and cash equivalents are 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 at September 30, 2015 are as follows:

	Amounts due	Collected within 23 days of period end	Remaining overdue balance
1 - 30 days due	\$ 141,935	\$ 110,402	\$ 31,533
31 - 60 days due	19,033	7,401	11,632
61 - 90 days due	8,799	7,805	994
Greater than 90 days past due	9,975	3,803	6,171
	<u>\$ 179,742</u>	<u>\$ 129,411</u>	<u>\$ 50,330</u>

The balances at December 31, 2014 are as follows:

	Amounts due	Collected within 30 days of period end	Remaining overdue balance
1 - 30 days due	\$ 111,497	\$ 98,290	\$ 13,207
31 - 60 days due	34,116	34,116	-
61 - 90 days due	537	-	537
Greater than 90 days past due	26,949	7,154	19,795
	<u>\$ 173,099</u>	<u>\$ 139,560</u>	<u>\$ 33,539</u>

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



ACKROO INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015

uncollectible accounts. During the three month period ended September 30, 2015, there were no one 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.

**6. 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 a purchase price of \$150,000. The purchase price was net settled by the Company issuing 1,000,000 common shares and 1,000,000 warrants in accordance with the private placement completed on January 20, 2015. The acquisition was accounted for as a business combination.

Fair value of assets acquired were:

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

Effective May 29, 2015, the Company acquired certain assets of Dealer Rewards of Canada 2014 Inc. ("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.

Cash consideration of \$100,000 was paid at closing, with the remaining \$1,400,000 payable over the next 18 month with \$600,000 due by December 31, 2015, \$400,000 due by June 30, 2016, and a final contingent amount of \$400,000 due by December 31, 2016 which is subject to performance provisions. All equity consideration was issued at closing, except for 65,934 common shares to be issued on May 29, 2016. The cash consideration was recorded at fair value of \$1,249,289 and is being amortized over the life of the assets using effective interest rate method.

Fair value of net assets acquired were:

Inventory	\$	7,300
Customer contracts		1,078,764
Goodwill arising on acquisition		<u>639,456</u>
		1,725,520
Deferred tax liability		<u>107,000</u>
Net asset acquired	\$	<u>1,618,520</u>

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 and goodwill.

**ACKROO INC.**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015**

**7. INTANGIBLE ASSETS**

The Company's amortized intangible assets consist of the following:

	<u>September 30, 2015</u>		<u>December 31, 2014</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Intellectual property	\$ 87,111	\$ 19,358	\$ 1,175,334	\$ 1,175,334
Customer contracts	1,122,591	129,602	138,500	138,500
	1,209,702	\$ 148,960	1,313,834	\$ 1,313,834
Accumulated amortization	148,960		1,313,834	
	\$ 1,060,742		\$ -	

The intangible assets were recorded as a result of the business combination disclosed in note 6.

As of September 30, 2015, the remaining amortization period for the intellectual property is 28 months, and Gift2Gift and Dealer Rewards customer contracts is 28 months and 32 months, respectively.

During the nine month period ended September 30, 2015, amortization expense for intellectual property amounted to \$19,358 and amortization of customer contracts amounted to \$129,602.

**8. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES**

The goodwill and intangible assets were recorded as a result of business combinations disclosed in note 6 and are related to two cash-generating units, Gift2Gift and Dealer Rewards. The recoverable amount of the recorded goodwill and intangibles assets was based on the value in use calculation using cash flow projections from financial budgets approved by senior management for 2015 and 2016 and estimates for the period through the remaining useful life to the beginning of 2018. The pre-tax discount rate applied to the cash flows was 20% with growth rates for 2016 and 2017 in excess of 10%. Both the discount and growth rates are the key assumptions used in the value in use calculation. Reductions in the growth rate budgeted for 2015 through to 2017 could cause the carrying value to exceed the recoverable amount.

**ACKROO INC.**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015**

**9. PROPERTY AND EQUIPMENT**

Cost	Computer equipment under capital lease	Computer equipment	Leasehold improvements	Furniture	Total
As at December 31, 2013	\$ 26,548	\$ 14,904	\$ 235,880	\$ 16,888	\$ 294,220
Additions	-	11,976	-	-	11,976
Write-off	-	-	(235,880)	-	(235,880)
As at December 31, 2014	26,548	26,880	-	16,888	70,316
Additions	3,040	3,445	-	-	6,485
Disposals	-	-	-	-	-
As at September 30, 2015	\$ 29,588	\$ 30,325	\$ -	\$ 16,888	\$ 76,801

Accumulated Amortization	Computer equipment under capital lease	Computer equipment	Leasehold improvements	Furniture	Total
As at December 31, 2013	\$ 16,446	\$ 5,979	\$ 21,823	\$ 1,689	\$ 45,937
Amortization	4,546	6,712	30,889	3,040	45,187
Disposals	-	-	(52,712)	-	(52,712)
As at December 31, 2014	20,992	12,691	-	4,729	38,412
Amortization	2,217	5,370	-	1,824	9,411
Disposals	-	-	-	-	-
As at September 30, 2015	\$ 23,209	\$ 18,061	\$ -	\$ 6,553	\$ 47,823

Net book value	Computer equipment under capital lease	Computer equipment	Leasehold improvements	Furniture	Total
As at December 31, 2013	\$ 10,102	\$ 8,925	\$ 214,057	\$ 15,199	\$ 248,283
As at December 31, 2014	\$ 5,556	\$ 14,189	\$ -	\$ 12,159	\$ 31,904
As at September 30, 2015	\$ 6,379	\$ 12,264	\$ -	\$ 10,335	\$ 28,978

**10. LONG-TERM DEBT**

During 2014, the Company renegotiated the terms of their office lease with the prior debt amount exchanged for a new loan. The new loan is unsecured, bears interest at approximately 8% per annum, payable monthly in blended principal and interest of \$3,000.

Principal repayments over the next two years are estimated to be as follows:

2015	\$ 12,491
2016	29,000

**ACKROO INC.**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015**

**11. CREDIT FACILITIES**

The Company has a revolving demand facility with a maximum borrowing of \$200,000 of which \$NIL was utilized at September 30, 2015 (December 31, 2014 - \$NIL). It is repayable on demand, bears interest at prime plus 2% and is secured by a general security agreement over all personal property of the Company. The borrowings under this facility must not exceed the aggregate of 75% of good Canadian and U.S. accounts receivable and 65% of good foreign currency receivable.

**12. CAPITAL STOCK**

**(a) Issued and outstanding**

As at September 30, 2015 the Company had 16,944,122 common shares issued and outstanding (December 31, 2014 – 6,891,660).

On January 20, 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.

For the nine-month period ended September 30, 2015, 490,000 warrants and 495,000 options were exercised by various shareholders and executives of the Company.

**(b) Escrow Shares**

On October 1, 2012 the Company completed the acquisition of MoneyBar and issued 4,585,679 common shares of which 3,048,538 were placed in escrow.

As at September 30, 2015, 1,092,439 common shares remained in escrow. (December 31, 2014 – 1,549,733 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 INC.**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015**

On July 13, 2015, the Company has issued 300,000 warrants to AIP Asset Management Inc. to entitle the holder to acquire one common share at an exercise price of \$0.37 per share until July 13, 2018.

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

	<b>Number of warrants</b>
<b>Balance at December 31, 2013</b>	<b>845,270</b>
Warrants expired	(61,123)
Warrants exercised	-
Agent warrants issued	-
Warrants issued	655,757
<b>Balance at December 31, 2014</b>	<b>1,439,904</b>
Warrants expired	(655,757)
Warrants exercised	(490,000)
Warrants issued	300,000
Warrants issued	8,364,165
<b>Balance at September 30, 2015</b>	<b>8,958,312</b>

The fair value of the subscription warrants issued in January 2015 totaled \$1,246,285. The fair value was calculated using the Black-Scholes model using 0.87% risk-free interest rate, 217% volatility, 12 month expected life and 0% dividend yield.

The fair value of the warrants issued in July 2015 totaled \$111,400. The fair value was calculated using the Black-Scholes model using 0.44% risk-free interest rate, 296% volatility, 36 months expected life and 0% dividend yield.

The fair value of the agent warrants and subscription warrants issued in 2014 totaled \$29,200 and \$255,500 respectively. 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%, 1 year expected life and 0% dividend yield.

For the nine month period ended September 30, 2015, 490,000 warrants were exercised by various shareholders of the Company with an exercise price of \$0.25 per share.

**(d) Stock options**

Under the terms of the Company's Stock Option Plan, 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 Ackroo shares, provided that the number of Ackroo shares reserved for issuance, together with those to be issued pursuant to options previously granted, does not exceed 10% of the issued and outstanding Ackroo 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 16,944,122 Ackroo shares outstanding, which means that up to 1,694,412 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 Ackroo 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

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price in accordance with the policies of the Exchange. Options held by an officer, director or service provider (not conducting investor relations) expire 90 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 relation's 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
<b>Balance, December 31, 2012</b>	<b>567,441</b>	<b>\$4.20</b>
Expired/Cancelled	(481,648)	\$4.20
Granted	479,110	\$2.00
<b>Balance, December 31, 2013</b>	<b>564,903</b>	<b>\$2.50</b>
Expired/Cancelled	(562,457)	2.78
Granted	353,416	0.87
<b>Balance, December 31, 2014</b>	<b>355,862</b>	<b>\$1.18</b>
Expired/Cancelled	(359,292)	0.92
Exercised	(495,000)	0.21
Granted	935,000	0.21
Granted	525,000	0.37
Granted	250,000	0.30
<b>Balance, September 30, 2015</b>	<b>1,211,570</b>	<b>\$0.37</b>

Effective January 19, 2015, the Company cancelled 256,903 existing stock options. The 256,903 cancelled options were replaced by issuance of 935,000 new options with an exercise price of \$0.21 per share, which expire in three years and vest immediately.

Effective June 15, 2015, the Company issued 525,000 options with an exercise price of \$0.37 per share, which expire in three years and vest immediately.

Effective September 1, 2015, the Company issued 250,000 options with an exercise price of \$0.30 per share, which expire in three years and vest immediately.

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At September 30, 2015, a summary of stock options outstanding and exercisable are as follows:

<u>Grant Date</u>	<u>Number of Options outstanding</u>	<u>Number of Options Exercisable</u>	<u>Exercise Price</u>	<u>Expiry date</u>	<u>Remaining contractual life (years)</u>
October 1, 2012	21,571	21,571	\$1.00	October 1, 2017	2.01
October 4, 2012	25,000	25,000	\$4.50	October 4, 2022	7.02
July 15, 2014	19,999	7,777	\$1.00	July 15, 2024	8.80
January 19, 2015	370,000	370,000	\$0.21	January 19, 2018	2.31
June 15, 2015	525,000	525,000	\$0.37	June 15, 2018	2.71
September 1, 2015	250,000	250,000	\$0.30	September 1, 2018	2.92
September 30, 2015	1,211,570	1,199,348	\$0.41		2.81

The fair value of options granted during 2015 was estimated using the Black-Scholes option pricing model with the following assumptions:

<u>Grant Date</u>	<u>Granted</u>	<u>Stock Price</u>	<u>Exercise Price</u>	<u>Expected Life</u>	<u>Volatility</u>	<u>Dividend Rate</u>	<u>Risk Free Rate</u>	<u>Fair Value</u>
January 19, 2015	935,000	0.21	0.21	3	258%	0.0%	0.87%	\$ 202,648
June 15, 2015	525,000	0.36	0.37	2-3	290%	0.0%	0.62%	\$ 182,600
September 1, 2015	250,000	0.26	0.30	2-3	311%	0.0%	0.45%	\$ 64,400

**13. OTHER INFORMATION**

**a. Commitments**

The Company rents premises under operating leases which expire between 2015 and 2018. In addition, the Company leases equipment under operating leases which expire between 2015 and 2016. Annual minimum lease payments to maturity will be approximately as follows:

2015	10,325
2016	41,300
2017	41,300
2018	6,883

Lease payments recognized as an expense during the nine-month periods ended September 30, 2015 and September 30, 2014 were \$74,937 and \$132,948 respectively.

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**b. Compensation of key management personnel**

The remuneration of key management personnel of the Company during the nine-month period ended September 30, 2015 and September 30, 2014 was as follows:

	September 30, 2015	September 30, 2014
Salaries, incentives and other short-term benefits	\$ 364,260	\$ 273,351
Share based compensation	\$ 321,291	\$ 203,508

**c. Related party transactions**

An officer and director of the Company had an agreement to provide consulting services. Total expense recorded in the nine-month period ended September 30, 2015 amounted to \$NIL and in the nine-month period ended September 30, 2014 amounted to \$74,375. There were no unpaid amounts as at September 30, 2015 and \$5,300 remained unpaid at September 30, 2014. This agreement has been terminated effective October 31, 2014.

An officer of the Company had a consulting agreement to provide marketing consulting services. Total expense recorded in the nine-month period ended September 30, 2015 amounted to \$NIL and in the nine-month period ended September 30, 2014 amounted to \$32,500. There were no unpaid amounts as at September 30, 2015 and September 30, 2014. This agreement has been terminated effective February 28, 2014.

On December 30, 2011, the company entered into a service agreement and a license agreement with MoneyBar Transactions Canada Inc. ("MTC") whereby the company will provide services and deliverables as reasonably requested by MTC to assist MTC in performing its obligations under the joint venture agreement between MTC and Kennerly Edwards Consulting Inc. In return for the provision of the services and the development of deliverables, MTC shall pay to the company all net revenues received by MTC and/or its affiliates from its and/or their participation in the joint venture. For the nine-month period ended September 30, 2015, the company recognized \$16,600 of revenue for the services and deliverables, of which \$NIL is unpaid and included in accounts receivable as of September 30, 2015. For the nine-month period ended September 30, 2014, the company recognized \$57,080 of revenue for the services and deliverables, of which \$4,788 was being unpaid and included in accounts receivable as of September 30, 2014. A shareholder of the Company is the principal shareholder and sole director of MTC. This agreement has been terminated effective September 1, 2015.

The Company has an agreement with a company that has an officer who is a consultant of the Company and an associate who is a director of the Company to provide legal services. Total expense recorded in the nine-month period ended September 30, 2015 amounted to \$34,187. There were \$7,187 unpaid at September 30, 2015. Total expense recorded in the nine-month period ended September 30, 2014 amounted to \$31,820 and \$12,803 remained unpaid at September 30, 2014.

**d. Dispute Settlement**

On June 12, 2015, the Company has entered into a legal dispute settlement with AIP Asset Management Inc. for \$13,682 in cash and 300,000 warrants with 3-year expiry at a strike price equal to \$0.37. The Company has



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been fully released from all obligations and liabilities.

**e. Segmented information**

The Company has not established discrete operating or geographic segments as of the date of filing. Financial information is only available at the total company level and is not segmented. Management makes decision at a total company level. Less than 10% of reported revenue is derived outside of Canada and at the time of filing geographic areas outside of Canada are not managed separately.