

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2016

Dated: May 5, 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 months ended March 31, 2016 and is prepared as at May 5, 2016. This MD&A should be read in conjunction with the Company's consolidated financial statements as at and for the three months ended March 31, 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.

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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

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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.

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 merchants it is scalable and profitable for Ackroo.

The Company's Ackroo Anywhere platform provides merchants 3 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) A customer interface 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 on-going, 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.

During the quarter ended March 31st 2016, the Company began executing on their 2016 plan for both organic and inorganic growth. The key aspects of this strategy are:

- Organic Growth:
 - Acquisition of new customers primarily through a channel sales model
 - Direct Sales Force: (Sales operations)
 - Majority of opportunities are generated through product/referral partners
 - Other leads are via the web and customer referrals
 - Sales Operations respond to inbound leads from the channel to secure new business
 - Sales Operations also provides marketing and training support for the channels
 - Lift in revenue per current customer:
 - Direct Sales Force: (Sales Operations)
 - Same team that initially sells the channel lead also deploy, train and upsell merchants
 - All Ackroo customers are physical gift card customers to start. This group upsells the Company's other solutions like e-gift, gift card distribution, promotions and loyalty
 - As customers use more of the solution there is an increase in both the monthly recurring fees and a lift in on-going one time fees
- Inorganic Growth – (M&A)
 - Complimentary companies that provide natural extensions of Ackroo's offering

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- Competitive companies that both directly and/or indirectly compete with Ackroo
- Organizations in which Ackroo can reduce the overall cost to operate and increase theirs and Ackroo's ability to scale
- Organizations that can help further develop the Ackroo product offering

The Company continues to spend efforts on attracting, supporting and further developing both strategies.

Today the Company is structured 1/3rd R&D staff, 1/3rd Operations Staff and 1/3rd Finance and Management. The Company believes this to be the right ratio in order to continue to develop and grow the business in the foreseeable future.

During the quarter ended March 31st, 2016, the Company focused in particular on:

- Migration of its final MoneyBar rewards legacy platform DealerCard
- Enhancement to the operations of PhotoGIFTCARD to streamline fulfillment requirements
- Focus on reducing support initiatives so the Company could focus on organic and inorganic growth plans
- Acquisition of 2 key strategic companies in OnTab and D1 Mobile's Appetite platform to help Ackroo execute their e-commerce and Mobile strategy plus add new customers and revenues
- Further develop current primary channel partnerships
- Pursue additional referral partners for the business
- Issue a financing to the market to help capitalize the Company so that it can continue to execute on their organic and inorganic growth plans

The quarter ended March 31st 2016 was important to assist with the Company's ability to execute on their 2016 goals.

Inorganically the purchase of OnTab did not add revenue however it did add market leading technology and expertise to help differentiate from competition. The acquisition of D1 Mobile's Appetite platform added not only technology advancement to help further differentiate the Company it also brought new customers and approximately \$100,000 per year of revenue. The Company expects to integrate both companies operations and technology within the first 180 days so that the Company will quickly leverage these assets into accelerated value.

Organically the Company grew both the Ackroo Anywhere business both by increasing the number of merchants supported as well as the revenue per location received. With the introduction of more Marketing services the company saw great organic growth through services this quarter further validating this aspect of the offering. The Company plans to leverage this success into future quarters.

The Company is very happy with the start to 2016 and expects big success in the year ahead.

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SELECTED FINANCIAL INFORMATION

	For the three months ended March 31, 2016	For the three months ended March 31, 2015
Total revenues	548,300	385,138
Loss and comprehensive loss	274,107	414,203
Per share - basic and diluted	(0.015)	(0.032)
Total current assets	366,725	727,016
Total current liabilities	1,567,558	358,396
Total long-term financial liabilities	242,003	32,750
Cash	12,453	390,249
Total equity	299,865	516,447

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 loyalty platform into the automotive and small and medium size merchant business sectors. This platform enables small to medium sized businesses, independent merchants and business networks to increase profitability and build long-term customer relationships through customized loyalty and rewards programs.

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 RESULTS²

	Quarter Ended December 31, 2015	Quarter Ended December 31, 2015	Quarter Ended September 30, 2015	Quarter Ended June 30, 2015
Revenue	\$ 548,300	\$ 601,758	\$ 519,766	\$ 315,562
(Loss)	(\$ 274,107)	(\$ 236,792)	(\$ 284,382)	(\$ 662,305)
Basic and diluted loss per share ¹	(0.02)	(0.01)	(0.02)	(0.04)
	Quarter Ended March 31, 2015	Quarter Ended December 31, 2014	Quarter Ended September 30, 2014	Quarter Ended June 30, 2014
Revenue	\$ 385,138	\$ 350,260	\$ 321,972	\$ 285,673
(Loss)	(\$ 414,203)	(\$ 979,874)	(\$ 478,383)	(\$ 561,442)
Basic and diluted loss per share ¹	(\$0.03)	(\$0.15)	(\$0.077)	(\$0.09)

1 - Numbers have been rounded to the next decimal for presentation purposes.

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

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ANALYSIS OF THE SUMMARY OF QUARTERLY RESULTS:

The Company is aggressively selling its SAAS based loyalty platform into the automotive and small and medium business sectors. This platform enables small to medium sized businesses, independent merchants and business networks to increase profitability and build long-term customer relationships through customized loyalty and rewards programs. The Company's utilization of web-based solutions provide the power to massively scale in a lightweight online tool, that works with customers' existing point-of-sale equipment, making it easy and affordable for businesses of any size to design and launch their own five-star loyalty program. The Company's online and in-store loyalty program options provide a blend of stored value capabilities and diverse loyalty incentives, arming businesses with their own 'private currency' and the flexibility to create customized loyalty programs that resonate with their customers.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2016

The following analysis of the Company's operating results for the three months ended March 31, 2016 and includes a comparison against the three months ended March 31, 2015.

Revenue

For the three months ended March 31, 2016, revenues were \$548,300 compared to \$385,138 for the three months ended March 31, 2015. The 42% 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.

Expenses

Cost of goods sold for the three months ended March 31, 2016 was \$189,523 compared to \$137,141 for the three months ended March 31, 2015. The results show a slight margin increase from 64% in 2015 to 65% in 2016.

Depreciation for the three months ended March 31, 2016 was \$3,194 compared to \$3,023 for the three months ended March 31, 2015. This depreciation relates to computer equipment, leasehold improvements, furniture and fixtures.

Amortization of intangible assets for the three months ended March 31, 2016 was \$100,809 compared to \$7,274 the three months ended March 31, 2015. This amortization relates to amortization of assets acquired from Dealer Rewards of Canada 2014 Inc.

Administrative expense for the three months ended March 31, 2016 was \$347,641 compared to \$317,996 for the three months ended March 31, 2015. The slight increase in administrative expense was due to the combination of sales operations in 2015. Administrative staff was increased slightly however this staff now also manages sales and marketing initiatives allow the Company to significantly reduce their Sales and Marketing costs.

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Research and development for the three months ended March 31, 2016 was \$98,678 compared to \$130,501 for the three months ended March 31, 2015. This reduction was due to the company's continued efforts to reduce costs in all departments of the business.

Sales and marketing for the three months ended March 31, 2016 was \$744 compared to \$6,643 for the three months ended March 31, 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 as mentioned above.

Stock based compensation expense for the three months ended March 31, 2016 was \$101,811 as compared to \$202,648 for the three months ended March 31, 2015. Stock based compensation expenses during the year ended December 31, 2015 related to employee incentives and compensation to Board members.

Impairment expense for the three months ended March 31, 2016 was \$NIL compared to \$NIL for the three months ended March 31, 2015. A discounted cash flow impairment test was completed on the intangible assets as at March 31, 2016, it is concluded that no impairments had occurred.

Interest income for the three months ended March 31, 2016 was \$NIL compared to \$318 for the three months ended March 31, 2015. The income is a result of interest earned on cash deposits. Interest expense for the three months ended March 31, 2016 was \$67,003 compared to \$2,317 for the three months ended March 31, 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 March 31, 2016 was \$274,107 compared to \$414,203 for the three months ended March 31, 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 March 31, 2016 was \$88,122 (\$62,442 + \$25,680 for non-recurring/non-operating investment services) compared to \$199,259 for the three months ended March 31, 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.

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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	Bank indebtedness
Finance lease obligations	other 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.

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Balances at the three months ended March 31, 2016 are as follows:

	Amounts due	Collected within 30 days of period end	Remaining overdue balance
1 - 30 days due	\$ 186,792	\$ 131,833	\$ 54,959
31 - 60 days due	4,655	3,524	1,132
61 - 90 days due	1,017	0	1,017
Greater than 90 days past due	837	296	541
	\$ 193,301	\$ 135,650	\$ 57,648

Balances at the three months ended March 31, 2015 are as follows:

	Amounts 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 March 31, 2016 the allowance for doubtful accounts amounted to \$nil (2015 - \$nil).

(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 will enable the Company to meet its financial obligations. A schedule of debt repayments can be found in note 11. See note 2 "Basis of Presentation and Future Operations".

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2016, the Company has a deficit of \$13,989,364 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

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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 year ended March 31, 2016 consumed cash of \$208,606 as compared to the year ended March 31, 2015 of \$393,008. The result was due to an increase in revenues and a reduction of costs.

The operating, investing and financing activities resulted in a \$139,241 decrease and a \$54,091 increase in the cash position of the Company for the year ended March 31, 2016 and March 31, 2015 respectively. The resulting cash balances were \$12,453 and \$390,249 as at March 31, 2016 and March 31, 2015, respectively.

The Company has negative working capital of \$1,180,833 as at March 31, 2016 and is in the process of seeking additional financing via a private placement issued in March 2016 to support working capital requirements.

The Company has future financial commitments under its office-operating lease in the amount of \$77,300 for the 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) Authorized share capital

As at March 31, 2016 the Company had 17,884,122 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.

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c) 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).

d) Outstanding warrants

In connection with the 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 expiring 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 expiring 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 reverse takeover in 2012, the Company issued 784,148 share units which entitled the holder to receive one common share and one subscription warrant for each share unit. Each subscription 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 subscription 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.

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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 March 31, 2016	300,000	\$ 0.37

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.

(a) 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 17,884,122 common shares outstanding, which means that up to 1,788,412 common 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

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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	353,416	0.87
Balance, December 31, 2014	355,862	\$1.18
ESOP Options Granted	1,710,000	0.27
ESOP Expired/Cancelled	(589,292)	1.18
Exercised	(495,000)	0.21
Balance, December 31, 2015	981,570	\$0.46
ESOP Options Granted	450,000	\$ 0.25
Balance, March 31, 2016	1,431,570	\$ 0.39

At March 31, 2016, 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	June 30, 2016	0.25
October 4, 2012	25,000	25,000	\$4.50	June 30, 2016	0.25
July 15, 2014	20,000	9,445	\$1.00	July 15, 2024	8.19
January 19, 2015	200,000	200,000	\$0.21	January 18, 2018	1.75
June 15, 2015	525,000	525,000	\$0.37	June 15, 2018	2.25
September 1, 2015	190,000	190,000	\$0.30	September 1, 2015	2.50
January 11, 2016	450,000	450,000	\$0.25	January 11, 2019	2.96
March 31, 2016	1,431,571	1,421,016	\$0.39		

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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:

	<u>2014</u>	<u>2013</u>
Risk free interest rate	1.00%	1.35%
Dividend yield	NIL	NIL
Expected volatility	190.00%	190.00%
Expected life	1-3 years	5 Years

Compensation expense recorded for options granted in 2016 totaled \$101,811 (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 purchase of warrants over a period of up to three (3) years. The amount of the warrant purchase is reflected in the "due from related party" as shown in the financial statements and as of March 31, 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.

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Fair value 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>

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 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.

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

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 using effective interest rate method. Subsequent to the purchase date the payment terms were amended with the amended payment terms detailed in note 11.

Fair value of net assets acquired were:

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

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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:

Inventor	\$	-
Customer contracts		120,000
Gain on Acquisition		<u>86,832</u>
Net asset acquired	\$	<u>206,832</u>

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.

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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

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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.