

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For

ACKROO INC.
(THE "COMPANY" OR "ACKROO")

As at and for the three-month ended MARCH 31, 2016 (unaudited)

AMENDED

The accompanying unaudited condensed interim financial statements have been amended to present comparative information as at March 31, 2015 within the Statement of Changes in Equity.

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>Mar 31, 2016</u>	<u>Dec 31, 2015</u> <u>(Audited)</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,453	\$ 151,694
Accounts receivable (Note 5)	193,301	111,542
Inventory	20,514	26,225
Due From Related Party (Note 13)	90,000	-
Prepaid expenses and other assets	<u>50,457</u>	<u>39,527</u>
	<u>366,725</u>	<u>328,988</u>
NON-CURRENT ASSETS		
Intangible assets (Notes 7 & 8)	1,065,957	959,934
Goodwill (Note 8)	628,043	628,043
Property and equipment (Note 9)	<u>30,751</u>	<u>30,227</u>
	<u>1,724,751</u>	<u>1,618,204</u>
	<u>\$ 2,091,476</u>	<u>\$ 1,947,192</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Bank Indebtedness	105,000	6,924
Accounts payable and accrued liabilities	524,967	485,702
Advances from subscriptions	-	-
Current portion of finance lease obligations	-	-
Current portion of deferred revenue	-	900
Current portion of long-term debt (Note 10)	<u>917,591</u>	<u>965,752</u>
	1,547,558	1,459,278
DEFERRED REVENUE	2,050	3,750
DEFERRED TAX LIABILITY	-	-
LONG-TERM DEBT (Note 10)	<u>242,003</u>	<u>242,003</u>
	<u>1,791,611</u>	<u>1,705,031</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 12)	9,389,851	9,269,851
Agent options (Note 12)	97,600	97,600
Warrants (Note 12)	2,995,274	2,885,274
Contributed surplus (Note 12)	1,806,502	1,704,693
Deficit	<u>(13,989,364)</u>	<u>(13,715,257)</u>
	<u>299,865</u>	<u>242,161</u>
	<u>\$ 2,091,476</u>	<u>\$ 1,947,192</u>

Approved by the Board:

STEVE LEVELY 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, 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
Share-based compensation	-	-	-	-	\$ 202,648	-	\$ 202,648
Comprehensive loss	-	-	-	-	-	\$ (414,203)	\$ (414,203)
Balance at March 31, 2015	15,255,825	\$8,346,721	\$ 97,600	\$ 2,846,885	\$ 1,757,019	\$ (12,531,778)	\$ 516,447
Balance at December 31, 2015	16,944,122	\$ 9,296,559	\$ 97,600	\$ 2,885,274	\$ 1,704,693	\$ (13,715,257)	\$ 242,161
Shares subscribed from business combination	500,000	\$ 120,000					\$ 120,000
Shares subscribed from warrants	440,000	\$ 110,000					\$ 110,000
Shares subscribed from options							
Share-based compensation					\$ 101,811		\$ 101,811
Comprehensive loss						\$ (274,107)	\$ (274,107)
Balance at March 31, 2016	17,884,122	\$ 9,526,559	\$ 97,600	\$ 2,885,274	\$ 1,806,504	\$ (13,989,364)	\$ 299,865

(See accompanying notes)

ACKROO INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED – PREPARED BY MANAGEMENT)

(Expressed in Canadian Dollars)

	Three months ended March 31, 2016	Three months ended March 31, 2015
Sales		
Subscription and service	\$ 518,048	\$ 214,206
Product	30,252	170,932
	548,300	385,138
Cost of sales		
Subscription and service	168,202	39,160
Product	21,321	97,981
	189,523	137,141
Gross profit	358,777	247,997
Expenses		
Administration	347,641	317,996
Research and development costs	98,678	130,501
Sales and marketing	744	6,643
Share-based comp expense (Note 13b)	101,811	202,648
Amortization of intangible assets	100,809	7,274
Amortization of property and equipment	3,194	3,023
Foreign exchange loss (gain)	(164)	(7,884)
Investment tax credits and non-refundable grants	-	-
	652,713	660,201
Loss before the following items	(293,936)	(412,204)
Dispute settlement (note 13d)	-	-
Interest income	-	318
Interest expense	(67,003)	(2,317)
Gain on Acquisition	86,832	-
	19,829	(1,999)
Comprehensive loss	\$ (274,107)	\$ (414,203)
Basic and diluted loss per share	\$ (0.015)	\$ (0.032)
Weighted average number of common shares outstanding	17,450,276	13,006,437

(See accompanying notes)

ACKROO INC.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(UNAUDITED – PREPARED BY MANAGEMENT)
(Expressed in Canadian Dollars)

	Three months ended March 31, 2016	Three months ended March 31, 2015
CASH FLOWS PROVIDED BY /(USED IN) OPERATING ACTIVITIES		
Comprehensive loss	\$ (274,107)	\$ (414,203)
Items not affecting cash:		
Amortization of property and equipment	3,194	3,023
Amortization of intangible assets	100,809	7,274
Amortization of leasehold inducement	-	-
Dispute settlement	-	-
Share-based compensation	101,811	202,648
	(68,293)	(201,258)
Changes in non-cash working capital items:		
Accounts receivable	(81,759)	(90,365)
Prepaid expenses	(10,930)	35,638
Due From Related Party	(90,000)	-
Inventory	5,712	934
Accounts payable and accrued liabilities	39,265	(145,158)
Deferred revenue	(2,600)	7,201
	(208,606)	(393,008)
CASH FLOWS PROVIDED BY /(USED IN) INVESTING ACTIVITIES		
Addition to property and equipment	(3,719)	(1,470)
Addition to intangible asset	(206,832)	(7,500)
	(210,551)	(8,970)
CASH FLOWS PROVIDED BY /(USED IN) FINANCING ACTIVITIES		
Increase / (Decrease) in bank indebtedness	98,077	-
Net advances (repayment) of loans payable	-	-
Repayments of long-term debt - net	(48,161)	(47,543)
Repayments of capital lease obligations	-	(2,213)
Issuance of capital stock	120,000	1,096,285
Advances from subscriptions	-	(590,460)
Exercise of Warrants	110,000	-
	279,915	456,069
DECREASE IN CASH AND CASH EQUIVALENTS	(139,241)	54,091
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	151,694	336,158
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 12,453	\$ 390,249

(See accompanying notes)

ACKROO INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

QUARTERS ENDED MARCH 31, 2016 AND 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 \$13,989,364 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 2015 and 2016 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, 2015.

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, 2015, which are available on www.sedar.com.

ACKROO INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.

QUARTERS ENDED MARCH 31, 2016 AND 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 May 5, 2016.

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, 2015 which is available at 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, 2015 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.

QUARTERS ENDED MARCH 31, 2016 AND 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 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

The balances at December 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

ACKROO INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.

QUARTERS ENDED MARCH 31, 2016 AND 2015

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 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>

ACKROO INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.

QUARTERS ENDED MARCH 31, 2016 AND 2015

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.

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 \$206,382. 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		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.

7. INTANGIBLE ASSETS

ACKROO INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.

QUARTERS ENDED MARCH 31, 2016 AND 2015

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

	<u>March 31, 2016</u>		<u>December 31, 2015</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Intellectual property	\$ 87,111	\$ 33,877	\$ 87,111	\$ 26,617
Customer contracts	1,329,423	316,700	1,122,591	223,151
	<u>1,416,534</u>	<u>\$ 350,577</u>	<u>1,209,702</u>	<u>\$ 249,768</u>
Accumulated amortization	350,577		249,768	
	<u>\$ 1,065,957</u>		<u>\$ 959,934</u>	

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

Acquisition of OnTab Inc.

On February 18, 2016 the company completed an asset purchase agreement with OnTab Inc. for the software technologies owned by the Vendor. There was no cash or share value attributed to the transaction however a consulting arrangement with one of the owners companies, Ordib Inc., was initiated. Terms of the consulting agreement are open and can be terminated by Ackroo with 45 days notice. The consulting compensation consists of \$0/hour for the first 20 hours worked for the company. After the initial 20 hours the consultant will be paid \$90/hour for the first 20 hours in any given month and \$119/hour for each hour after 20 hours in a given calendar month.

It was determined that a value could not be reasonably placed on the assets acquired from OnTab. As no consideration was paid to seller for the assets, no value was recorded in the financial statements.

During the three-month period ended March 31, 2016, amortization expense for intellectual property amounted to \$7,259 and amortization of customer contracts amounted to \$93,549.

8. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES

The goodwill and intangible assets were tested for impairment at December 31, 2015 and March 31, 2016 and it was determined no impairment existed.

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	7,887	-	-	10,927

ACKROO INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.

QUARTERS ENDED MARCH 31, 2016 AND 2015

Disposals	-	-	-	-	-
As at December 31, 2015	\$ 29,588	\$ 34,767	\$ -	\$ 16,888	\$ 81,243
Additions				11,864	11,864
Disposals	-	(8,145)	-	-	(8,145)
As at March 31, 2016	\$ 29,588	\$ 26,622	\$ -	\$ 28,752	\$ 84,962

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	3,013	7,160	-	2,432	12,605
Disposals	-	-	-	-	-
As at December 31, 2015	\$ 24,005	\$ 19,851	\$ -	\$ 7,161	\$ 51,017
Amortization	796	1,790	-	608	3,194
Disposals	-	-	-	-	-
As at March 31, 2016	\$ 24,801	\$ 21,641	\$ -	\$ 7,769	\$ 54,211

Net book value	Computer equipment under capital lease	Computer equipment	Leasehold improvements	Furniture	Total
As at December 31, 2014	\$ 5,556	\$ 14,189	\$ -	\$ 12,159	\$ 31,904
As at December 31, 2015	\$ 5,583	\$ 14,916	\$ -	\$ 9,728	\$ 30,227
As at September 30, 2015	\$ 4,787	\$ 4,981	\$ -	\$ 20,983	\$ 30,751

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 loan is unsecured, bears interest at approximately 8% per annum, payable monthly in blended principal and interest of \$3,000.

During 2015 the Company acquired Dealers Rewards Canada agreeing to make ten monthly payments of \$100,000 starting January 2016 with the final payment of \$300,000 in January 2017. The payments are unsecured and non-interest bearing. On the date of acquisition, the assumed debt was recorded at the present value of the agreed upon payment terms using an interest rate of 20%. The payment terms were modified subsequent to the acquisition to the above repayment dates. On modification the present value of the debt was recalculated resulting in a gain on modification of \$46,399.

ACKROO INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.

QUARTERS ENDED MARCH 31, 2016 AND 2015

March 31, 2016

Current Portion \$ 917,591

Long Term Portion \$ 242,003

Principal repayments over the next five years are estimated as follows:

2016 \$ 1,033,322

2017 300,000

1,333,322

Less amount representing interest 125,567

\$ 1,207,755

11. CREDIT FACILITIES

The Company has a revolving demand facility with a maximum borrowing of \$200,000 of which \$105,000 was utilized at March 31, 2016 (December 31, 2015 - \$6,924). 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 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 2015, 490,000 warrants and 495,000 options were exercised by various shareholders and executives of the Company.

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.

(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.

ACKROO INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.

QUARTERS ENDED MARCH 31, 2016 AND 2015

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 March 31, 2016	300,000	\$ 0.37

The fair value of the warrants issued in 2015 totalled \$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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.

QUARTERS ENDED MARCH 31, 2016 AND 2015

(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 17,884,122 common shares outstanding, which means that up to 1,788,412 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 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	353,416	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

ACKROO INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.

QUARTERS ENDED MARCH 31, 2016 AND 2015

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		

13. OTHER INFORMATION

a. Commitments

The Company rents premises under operating leases which expire between 2014 and 2019. 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:

2016	77,300
2017	77,300
2018	6,883

Lease payments recognized as an expense during the three-month periods ended March 31, 2016 and March 31, 2015 were \$24,437 and \$35,962 respectively.

b. Compensation of key management personnel

The remuneration of key management personnel of the Company during the three-month period ended March 31, 2016 and March 31, 2015 was as follows:

	March 31, 2016	March 31, 2015
Salaries, incentives / short-term benefits	\$ 53,470	\$ 114,650
Share based compensation	\$ 101,811	\$ 150,857

c. 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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.

QUARTERS ENDED MARCH 31, 2016 AND 2015

d. 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. Minimal amount of reported revenue is derived outside of Canada and at the time of filing geographic areas outside of Canada are not managed separately.