

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

Dated: October 29, 2018

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 September 30, 2018 and is prepared as at October 29, 2018. This MD&A should be read in conjunction with the Company's Consolidated Financial Statements as at and for the three-months and nine-months ended September 30, 2018, and the audited financial statements as at and for the year ended December 31, 2017, 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. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

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

APPROVAL

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

CAUTIONARY NOTE REGARDING ON FORWARD-LOOKING INFORMATION

This MD&A 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

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

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 marketing platform into automotive, petroleum, hospitality and retail business of all sizes. Ackroo has developed a solution that is robust, easy to use, and affordable for all merchants. Physical and digital, in-store and online, from single location mom and pops to large multi-location organizations, the Ackroo platform is built to support the growing needs of these growing business segments.

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

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

- c) On-going one-time fees for items like cards/collateral, custom development, distribution and marketing services.

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

As of September 30th, 2018 the below represents the current YTD financial metrics as well as 2017 and 2016 metrics that relate to these fees: (Non-GAAP/IFRS measures)

	2016	2017	2018	Comments
Avg. MRR per loc	\$92	\$72	\$71	Maintaining
Avg. New OTR	\$1,220	\$1,210	\$1,216	Maintaining
Avg. Ex OTR	\$1,020	\$1,190	\$1,123	Maintaining
GC vs LTY Product Mix	70% 30%	65% 35%	60% 40%	Improving
Avg. Tx per month	300k+	350k+	400k+	Growing
MRR to OTR Ratio	60% 40%	60% 40%	70% 30%	Improving
Retention	95%	96%	97%	Improving
Locations	1,500+	4,000+	4,000+	Growing
Approx. LTV (7 year)	\$12,008	\$10,828	\$10,549	Maintaining
Organic CAC	< \$1,500	\$1,255	\$996	Improving
LTV to CAC ratio	8 to 1	9 to 1	10 to 1	Improving

These Non-GAAP/IFRS analytical metrics are calculated as per below:

Average MRR = The monthly recurring revenue from all active customers in the month of September 2018 divided by the number of active customers.

Average New OTR = The one time revenue from the setup and activation of all active customers for the year 2018 divided by the number of activated customers.

Average Expansion OTR = The average one time revenue for product and service re-orders from current Ackroo merchants.

Approx. LTV = The approximate lifetime value is calculated based on a 7 year minimum lifespan. $MRR \times 84 + \text{New/Initial OTR} + \text{at least 3 existing OTR re-orders}$.

Organic CAC = The total cost of sales/marketing including channel referral commissions plus some administrative costs from Client Services initiatives divided across the # of new locations added during the period.

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

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

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

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

Combined with Ackroo's consultative sales operations approach of not only deploying technology but also assisting their merchants with how to best utilize it upfront and ongoing through analytics and marketing services the Company truly does differentiation in the marketplace.

The Company's online and in-store gift card & loyalty marketing platform manages 3 key merchant currencies in gift card, loyalty and promotions. The platform provides both the ability to process the data as well as actionable tools to drive results through these currencies.

The Company acquires their customers through three distinct channels:

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

It is through these channels that the company now supports over 4,000 locations via the various products and services the company provides.

During the quarter ended September 30th, 2018, the Company continued to execute on their growth plans while also advancing their technology and operations. Some of the highlights of the Company's efforts during the quarter include:

- **74% YoY revenue growth** over Q2 2017
- **72% YTD YoY revenue growth** over 2017
- **78% QoQ EBITDA growth** over Q2 2018
- **Increased subscription revenue** by **84%** over Q3 2017
- **Increased Gross Margin** to **87%** during the period. A **12% increase over Q3 2017** & 4% over Q2 2018
- **Added 99 new locations** during the period
- **Attrition** rate of **less than 3% YTD**
- **Completed all but 4 migrations** of the **KESM/LoyalMark** acquisition
- Continued **product** and **operational segment focus** (Automotive, Petroleum, Hospitality, Retail)
- Several new **product enhancements** completed to support **Petroleum** and **Hospitality** segments as well as the Companies **first step into self-serve signup**
- Maintained **MRR deployment** times to be **below 30 days**
- Continued both customer and **channel marketing communication initiatives** to **drive organic growth**
- M&A **pipeline** in excess of **\$10M**
- **Organic large account sales pipeline** in excess of **\$1M per annum**

The Company is very happy with the results during the first 3 quarters of the year and is poised for a strong close to the year and an even bigger 2019 ahead.

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

SELECTED FINANCIAL INFORMATION

	For the nine-months ended Sept 30, 2018	For the nine-months ended Sept 30, 2017	For the nine-months ended Sept 30, 2016
Total revenues	\$ 3,299,633	\$ 1,923,709	\$ 1,668,087
Loss and comprehensive loss	(808,414)	(970,275)	(1,177,047)
Per share - basic and diluted	(0.01)	(0.03)	(0.06)
Total current assets	358,647	333,928	270,509
Total assets	3,821,416	1,783,375	2,331,789
Total current liabilities	861,832	797,343	1,006,813
Total long-term financial liabilities	20,802	130,637	671,155
Cash	26,854	86,412	12,890
Total equity	2,938,782	855,395	653,821

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

Operations:

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

Ackroo Inc. is a holding Company that has 100% ownership and control of the operating Company Ackroo Canada Inc. (formerly MoneyBar Rewards Inc.) and Ackroo Corporation. All operations to date have been managed through Ackroo Canada Inc.

SUMMARY OF QUARTERLY RESULTS

	Quarter Ended September 30, 2018	Quarter Ended June 30, 2018	Quarter Ended March 31, 2018	Quarter Ended December 31, 2017
Total revenues	\$ 1,083,046	\$ 1,048,171	\$ 1,168,415	\$ 814,121
Loss and comprehensive loss	(328,987)	(141,434)	(337,995)	(502,836)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.01)
	Quarter Ended September 30, 2017	Quarter Ended June 30, 2017	Quarter Ended March 31, 2017	Quarter Ended December 31, 2016
Total revenues	\$ 622,867	\$ 651,457	\$ 649,385	\$ 556,078
Loss and comprehensive loss	(167,756)	(167,757)	(388,443)	(575,809)
Basic and diluted loss per share	(0.00)	(0.02)	(0.01)	(0.03)

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

ANALYSIS OF THE SUMMARY ANNUAL AND QUARTERLY RESULTS:

The Company puts great focus on increasing revenues, managing operating costs and driving shareholder value. During the nine-months ended September 30, 2018 the Company accomplished these goals by increasing margins and managing operating costs which drove basic and diluted loss per share to \$(0.01).

RESULTS OF OPERATIONS FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2018

The following analysis of the Company's operating results for the three-months and nine-months ended September 30, 2018 and includes a comparison against the three-months and nine-months ended September 30, 2017.

Revenue

For the three-months ended September 30, 2018, revenues were \$1,083,046 compared to \$622,867 for the three-months ended September 30, 2017. The 74% year over year revenue growth was driven by the Company's continued efforts to organically increase customers and revenues by selling their gift card and loyalty platform and associated services and the revenue contributed by the newly acquired KESM / LoyalMark customers. For the nine-months ended September 30, 2018, revenues were \$3,299,633 compared to \$1,923,709 for the nine-months ended September 30, 2017. The Company increased revenue by 72% compared to the same period last year.

Expenses

Cost of goods sold for the three-months ended September 30, 2018 was \$139,635 (gross margin 87%) compared to \$152,844 (gross margin 75%) for the three-months ended September 30, 2017. Cost of goods sold for the nine-months ended September 30, 2018 was \$542,834 (gross margin 84%) compared to \$570,537 for the nine-months ended September 30, 2017 (gross margin 70%). The results show the Company was able to improve margins year over year by maintaining shipping and product costs coupled with the higher average margin customers from the KESM / LoyalMark acquisition and reduction of the Dealer Rewards licensing fees. The three-months ended September 30, 2018 included a one-time credit to Cost of Goods Sold in the amount of \$40,000 relating to postage cost adjustments.

Amortization of property and equipment for the three-months ended September 30, 2018 was \$3,829 compared to \$3,706 for the three-months ended September 30, 2017. Depreciation for the nine-months ended September 30, 2018 was \$11,485 compared to \$11,120 for the nine-months ended September 30, 2017. This depreciation relates to computer equipment, furniture and fixtures.

Amortization of intangible assets for the three-months ended September 30, 2018 was \$479,905 compared to \$143,539 for the three-months ended September 30, 2017. Amortization of intangible assets for the nine-months ended September 30, 2018 was \$832,999 compared to \$430,614 the nine-months ended September 30, 2017. This amortization relates to amortization of assets acquired from Dealer Rewards of Canada 2014 Inc., D1 Mobile Corp., Loyalint / Fidelint Platform (ORBO RÉCOMPENSES INC.), KESM Transactions Solutions Inc. & LoyalMark LLC.

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

Administrative expense for the three-months ended September 30, 2018 was \$541,154 compared to \$327,713 for the three-months ended September 30, 2017. Administrative expense for the nine-months ended September 30, 2018 was \$1,640,427 compared to \$1,096,143 for the nine-months ended September 30, 2017. The increase in administrative expense relates to the additional personnel and consulting fees associated operating expenses from the KESM / LoyalMark acquisition.

Research and development for the three-months ended September 30, 2018 was \$168,259 compared to \$114,040 for the three-months ended September 30, 2017. Research and development for the nine-months ended September 30, 2018 was \$531,103 compared to \$511,029 for the nine-months ended September 30, 2017. Costs year over year remained relatively flat as the reduction and streamlining of existing staff were offset by the increase in costs related to R&D staff and associated costs from the KESM acquisition.

Sales and marketing for the three-months ended September 30, 2018 was \$74,668 compared to \$42,544 for the three-months ended September 30, 2017. Sales and marketing for the nine-months ended September 30, 2018 was \$265,110 compared to \$121,897 for the nine-months ended September 30, 2017. The increase in expense relates to the implementation of a dedicated marketing team, business development team and initiatives to expedite growth in the business.

Stock based compensation expense for the three-months ended September 30, 2018 was \$0 as compared to \$0 for the three-months ended September 30, 2017. Stock based compensation expense for the nine-months ended September 30, 2018 was \$261,737 as compared to \$118,500 for the nine-months ended September 30, 2017. Stock based compensation expenses during the year related to employee incentives and compensation to Board members.

Impairment expense for the three-months ended September 30, 2018 was \$nil compared to \$nil for the three-months ended September 30, 2017. Impairment expense for the nine-months ended September 30, 2018 was \$nil compared to \$nil for the nine-months ended September 30, 2017.

Interest expense for the three-months ended September 30, 2018 was \$7,211 compared to \$20,924 for the three-months ended September 30, 2017. Interest expense for the nine-months ended September 30, 2018 was \$25,921 compared to \$51,529 for the nine-months ended September 30, 2017. Interest expense primarily reflects interest the Dealer Rewards long-term debt which will conclude at the end of 2018.

Loss from Operations

Net loss and comprehensive loss for the three-months ended September 30, 2018 was \$328,987 compared to \$167,757 for the three-months ended September 30, 2017. Net loss and comprehensive loss for the nine-months ended September 30, 2018 was \$808,414 compared to \$970,275 for the nine-months ended September 30, 2017. The net income and comprehensive income (excluding interest, taxes, amortization, stock-based compensation) "Adjusted EBITDA*" for the three-months ended September 30, 2018 was a **gain of \$161,958** compared to the "Adjusted EBITDA* loss of \$13,988 the three-months ended September 30, 2017. The net income and comprehensive income (excluding interest, taxes, amortization, stock-based compensation) "Adjusted EBITDA*" for the nine-months ended September 30, 2018 was a **gain of \$323,728** compared to the "Adjusted EBITDA* loss of \$284,495 (\$372,912 with the SRED re-assessment anomaly included) the nine-months ended September 30, 2017. The three-months ended September 30, 2018 represents the **third consecutive positive "Adjusted EBITDA" quarter for the Company** as the Company begins to realize the synergistic benefit of the KESM / LoyalMark acquisition.

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

**These are non-GAAP measures and are calculated as per the table below.*

	Nine months ended Sept 30, 2018	Nine months ended Sept 30, 2017	Three months ended Sept 30, 2018	Three months ended Sept 30, 2017
NET LOSS AND COMPREHENSIVE LOSS	(808,414)	(970,275)	(328,987)	(167,757)
add: Share-based compensation expense	261,737	118,500	-	-
add: Amortization of intangible assest	832,999	430,614	479,905	143,539
add: Amortization of property and equipment	11,485	11,120	3,829	3,706
add: Interest expense	25,921	37,129	7,211	6,524
add: 2014 SR&ED re-assessment	-	88,417	-	-
Adjusted EBITDA Income/(Loss)	323,728	(284,495)	161,958	(13,988)

FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, due from related party, bank indebtedness, accounts payable and accrued liabilities, and long-term debt. The Company believes that the recorded values of all these financial instruments, with the exception of long-term debt, approximate their current fair values because of their short-term nature. The fair value of long-term debt approximates its carrying value due to its market rate of interest.

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 the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to interest rate risk and currency risk.

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 long-term debt bears interest at a 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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company transacts primarily in Canadian dollars and is not exposed to significant currency risk.

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risks relate to 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 aging of accounts receivable balances at September 30, 2018 are as follows:

	Amounts Due	Collected within 30 days of period end	Remaining Aged Balance
1 - 30 days due	283,704	195,406	88,297
31 - 60 days due	4,280	3,740	540
61 - 90 days due	704	173	531
Greater than 90 days past due	1,353	1,353	-
	<u>290,041</u>	<u>200,672</u>	<u>89,368</u>

The aging of accounts receivable balances at December 31, 2017 are as follows:

	Amounts Due	Collected within 30 days of year end	Remaining Aged Balance
1 - 30 days due	244,093	176,249	67,844
31 - 60 days due	3,684	821	2,863
61 - 90 days due	1,950	-	1,950
Greater than 90 days past due	1,627	-	1,627
	<u>251,354</u>	<u>177,070</u>	<u>74,284</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 uncollectible accounts. At September 30, 2018, the allowance for doubtful accounts amounted to \$nil (2017 - \$nil). As at September 30, 2018 there was one customer that represented 29% of the current accounts receivable whose entire balance was subsequently paid after the period end.

(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 to the Financial Statements discusses liquidity risk and management's plans to address these.

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2018, the Company has a deficit of \$14,869,732 however it no longer expects to incur further cash losses in the development of its business. The Company has historically financed its operations and met its capital requirements primarily through the sale of capital stock by way of private placement, exercise of stock options, debt, and the exercise of warrants issued.

The Company's operating activities for the three-months ended September 30, 2018 consumed cash of \$46,396 as compared to the three-months ended September 30, 2017 which consumed cash of \$148,066. The Company's operating activities for the nine-months ended September 30, 2018 consumed cash of \$21,237 as compared to the nine-months ended September 30, 2017 which consumed cash of \$670,085.

The operating, investing and financing activities for the three-months ended September 30, 2018 contributed cash of \$369 as compared to the three-months ended September 30, 2017 which consumed cash of \$64,679. The operating, investing and financing activities for the nine-months ended September 30, 2018 consumed cash of \$6,659 as compared to the nine-months ended September 30, 2017 which consumed cash of \$556,836. The resulting cash balances were \$26,854 and \$86,412 as at the three-months and nine-months ended September 30, 2018 and 2017 respectively.

The Company has negative working capital of \$503,185 as at the nine-months ended September 30, 2018 as compared to negative working capital of \$825,119 as at the nine-months ended September 30, 2017. The Company plans to organically increase its revenues in order support their working capital requirements, however should revenue not be significantly increased, the Company will either pursue cost cutting measures and/or issue a private placement or secure debt financing in the fall/winter of 2018 to help assist in the servicing of its debt obligations for the duration of 2018.

The Company has future financial commitments under its office-operating leases in the amount of \$23,737 (2018), \$110,635 (2019), \$77,635 (2020) and \$12,439 (2021).

Contractual obligations	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
Debt	312,717	312,717	-	-	-
Operating leases	224,446	23,737	188,270	12,439	-
Total contractual obligations	537,163	336,454	188,270	12,439	-

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.

ACKROO INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

CAPITAL STOCK

(a) Authorized share capital

The Company is authorized to issue an unlimited number of the following shares:

Preferred shares – issuable in series with the terms and conditions to be set on issuance
Common shares – voting, without par value.

(b) Issued and outstanding

	<u>2018</u>	<u>2017</u>
Common - 75,887,400 shares (2017 - 75,487,400 shares)	15,884,147	15,831,089
Share issue costs	<u>692,710</u>	<u>692,710</u>
	<u>15,191,437</u>	<u>15,138,379</u>

As of October 29, 2018, there were 75,912,400 common shares issued and outstanding.

On December 1, 2017, the Company issued 35,800,000 shares for the acquisition of KESM Transactions Solutions Inc. & LoyalMark LLC..

During the year ended December 31, 2017, 900,000 warrants (2016 - 440,000) and 10,200 options (2016 - 815,200) were exercised by various shareholders and executives of the Company. The Company also issued an additional 2,820,000 options (2016 - 2,525,000) to employees and executives.

On July 10, 2017, the Company completed a private placement for proceeds totaling \$636,645 consisting of 11,575,364 units at a price of \$0.055 per unit. Each unit consists of one common share of the Company and one share purchase warrant entitling the holder to purchase an additional common share of the Company at a price of \$0.10 per share for a period of 60 months. No finder's fees or commissions were paid in connection with the closing of the private placement.

(c) Outstanding warrants

On July 10, 2017, the Company completed a private placement for proceeds totaling \$636,645 consisting of 11,575,364 units at a price of \$0.055 per Unit. Each “Unit” consists of one common share of the Company and one share purchase warrant entitling the holder to purchase an additional common share of the Company at a price of \$0.10 per share for a period of 60 months. The warrants are subject to accelerated expiry in the event the closing price of the Company’s shares is \$0.20 or more for thirty consecutive trading days. The Company determined the fair value of the common shares and share purchase warrants and allocated the proceeds from the private placement on a relative fair value basis to the common shares and share purchase warrants.

The Company issued 2,567,200 warrants in connection with a private placement that closed November 18, 2016. Each share purchase warrant entitles subscribers to purchase one additional common share of the Company at a price of \$0.30 per share for a period of 24 months from the date of issuance. The warrants are

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

subject to accelerated expiry in the event the Company's shares close at \$0.40 or more for ten consecutive trading days. The Company determined the fair value of the common shares and share purchase warrants and allocated the proceeds from the private placement on a relative fair value basis to the common shares and share purchase warrants.

At September 30, 2018, a summary of the Company's warrant activity is as follows:

	Number of warrants	Weighted Average Exercise Price
Balance at December 31, 2016	2,867,200	0.31
Warrants expired	-	0.00
Warrants exercised	(900,000)	0.10
Warrants issued	11,575,364	0.10
Balance at December 31, 2017	13,542,564	\$0.14
Warrants expired	300,000	0.37
Warrants exercised	-	0.00
Warrants issued	-	0.00
Balance at September 30, 2018	13,242,564	\$0.14

The relative fair value allocated to the warrants issued in 2017 totaled \$309,762 (2016 - \$291,523). In determining the relative fair value, the fair value of the warrants was calculated using the Black-Scholes model using risk-free interest rate of 1.72%, volatility of 183%, expected life of 5 years and 0% dividend yield. (2016 - using risk-free interest rate of 0.73%, volatility between 200% and 223%, expected life between 1 and 2 years and 0% dividend yield).

No new warrants have been issued as of the nine-months ended September 30, 2018. The 300,000 warrants issued July 13, 2015 expired on July 13, 2018.

d) Stock options

Under the terms of the Company's approved Stock Option Plan (ESOP) the Board of Directors of the Company may, from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company 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 75,887,400 (2017 - 75,487,400) common shares outstanding, which means that up to 7,588,740 (2017 - 7,548,740) of the Company's common shares could be reserved for issuance upon the exercise of stock options.

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

Options are exercisable over periods of up to three 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 the Company 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 the Company or employees of companies providing management or consulting services to the Company. 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.

During the nine-months ended September 30, 2018, the Company granted 3,575,000 stock options exercisable at a weighted average price of \$0.13 per option. In addition, 450,000 stock options were cancelled at a weighted average price of \$0.15 per option and 400,000 options were exercised at a weighted average price of \$0.08 per option.

The relative fair value allocated to the options issued in 2018 totaled \$261,737 (2017 - \$265,900). In determining the relative fair value, the fair value of the options was calculated using the Black-Scholes model using a weighted average risk-free interest rate of 1.84%, weighted average volatility of 112%, expected life of 1-3 years and 0% dividend yield. (2017 - using weighted average risk-free interest rate of 1.34%, weighted average volatility of 124%, expected life between 1-3 years and 0% dividend yield).

At September 30, 2018, a summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2016	2,381,371	\$0.259
ESOP Options Granted	2,820,000	\$0.135
ESOP Expired/Cancelled	(721,571)	\$0.330
Exercised	(10,200)	\$0.200
Balance, December 31, 2017	4,469,600	\$0.170
ESOP Options Granted	3,575,000	\$0.130
ESOP Expired/Cancelled	(450,000)	\$0.150
Exercised	(400,000)	\$0.080
Balance, September 30, 2018	7,194,600	\$0.154

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

At September 30, 2018, a summary of stock options outstanding and exercisable are as follows:

Grant Date	# of Options Outstanding	# of Options Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life (years)
January 11, 2016	150,000	150,000	\$0.250	January 11, 2019	0.28
June 7, 2016	304,600	304,600	\$0.200	June 7, 2019	0.68
July 15, 2016	250,000	250,000	\$0.260	July 15, 2019	0.79
August 22, 2016	390,000	390,000	\$0.235	August 22, 2019	0.89
September 15, 2016	320,000	320,000	\$0.210	September 15, 2019	0.96
November 18, 2016	195,000	195,000	\$0.200	November 18, 2019	1.13
January 16, 2017	240,000	240,000	\$0.215	January 16, 2020	1.30
April 12, 2017	470,000	470,000	\$0.155	April 12, 2020	1.53
December 13, 2017	1,700,000	1,700,000	\$0.120	December 13, 2020	2.21
January 11, 2018	500,000	500,000	\$0.110	January 11, 2021	2.28
January 11, 2018	2,300,000	2,300,000	\$0.150	January 11, 2021	2.28
April 4, 2018	75,000	75,000	\$0.080	April 4, 2021	2.51
May 2, 2018	300,000	300,000	\$0.075	May 2, 2021	2.59
September 30, 2018	7,194,600	7,194,600	\$0.154		

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 September 1, 2018 the Company entered into an agreement with a member of the management team to consolidate the two amounts (\$90,000 & \$75,050) previously shown as "due from related party" into one consolidated promissory note representing \$165,020 with a maturity date, and payment due on or before, December 31, 2020. This is a non-cash transaction and the promissory note is non-interest bearing. As of September 30, 2018, the balance was \$165,020.

The Company entered into consulting agreements with directors and officers resulting in expense in the nine-months ended September 30, 2018 and 2017 of \$3,443 and \$11,167 respectively.

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

BUSINESS COMBINATION

Business Combination

KESM Transactions Solutions Inc. & LoyalMark LLC

On December 1, 2017 the Company completed the acquisition of certain software technologies and customer contracts from KESM Transactions Solutions Inc. & LoyalMark LLC which assets comprise the KESM/LoyalMark software platform. The acquisition is a business combination accounted for using the acquisition method in accordance with IFRS 3. Assets assumed in the acquisition have been recorded at their fair values as at the date of acquisition. The excess of the consideration transferred over the fair value of the assets acquired has been included in goodwill. The acquisition of the KESM/LoyalMark assets is expected to contribute to the profitability of the Company through synergies identified and expected to be realized in the elimination of redundant expenditures including staff and overheads. In determining the fair market value of the assets acquired, synergies are not factored in in order to assess a fair market participant value. As a result, goodwill was created which represents the synergistic benefits to be realized by the Company starting immediately following acquisition. In consideration for the assets, the Company issued 35,800,000 common shares, and paid cash consideration of \$200,000 of which \$100,000 was paid on closing of the acquisition with the remaining \$100,000 to be paid during fiscal 2018. In addition, the Company entered into 5-year consulting agreements with the 2 owners of KESM/LoyalMark to provide advice and consulting services in advancing the business. In consideration for providing the services under the consulting agreements, the Company will pay \$33,334 and US\$10,000 respectively per month. The consulting agreements may be terminated by KESM/LoyalMark with 30 days' notice. The consulting services have been determined to be post acquisition compensation.

Fair value of net assets acquired is as follows:

Inventory	500
Customer contracts	2,080,000
Intellectual property	110,000
Goodwill arising on acquisition	<u>871,041</u>
Consideration paid	3,061,541

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.

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

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

The Company anticipates that it will have positive cash flows from operations in the future however there is no assurance of that. 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 does not expect to incur further operating losses and negative cash flow as it continues to grow its platform and gain market further acceptance. The Company has historically financed its operations and met its capital requirements primarily through the sale of capital stock by way of private placement, exercise of stock options, debt, and the exercise of warrants issued and will continue to do so when necessary to ensure the liquidity of the business. These circumstances raise doubt about the Company's ability to continue as a going concern.

Revenue concentration

For the nine-months ended September 30, 2018, there was one customer that represented 21.1% of total revenue. There was no other customer that represented more than 10% of revenue.

CRITICAL ACCOUNTING ESTIMATES

There have been no significant changes to any accounting estimates as disclosed in the Company's most recent audited Financial Statements as at and for the nine-months ended September 30, 2018.

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Recently adopted accounting standards

IFRS 9 Financial Instruments

In July 2014, the IASB reissued IFRS 9 which replaced IAS 39. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets – amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available for sale and loans and receivable categories. This standard became effective January 1, 2018.

Based on the assessment performed, IFRS 9 does not have a material impact on the consolidated financial statements of the Company.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which provides a single, principles based five-step model for revenue recognition to be applied to all customer contracts and requires enhanced disclosures. This standard became effective January 1, 2018.

Based on the assessment performed thus far, it appears IFRS 15 does not impact the Company's current revenue recognition policies or necessitate any material changes to its internal controls or data systems.

SUBSEQUENT EVENTS

There are no subsequent events to be noted following the nine-months ended September 30, 2018.

ADDITIONAL INFORMATION

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