**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**For**

**ACKROO INC.**
*(THE “COMPANY” OR “ACKROO”)*

**As at and for the three-month and nine-month periods ended SEPTEMBER 30, 2016 (unaudited)**

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

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

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

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

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| | Sep 30, 2016 | Dec 31, 2015 |
|---|---|---|
| **ASSETS** | *(unaudited)* | *(Audited)* |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | 12,890 | 151,694 |
| Accounts Receivable (Note 5) | 205,969 | 111,542 |
| Inventory | 8,051 | 26,225 |
| Prepaid Expenses and Other Assets | 43,600 | 39,527 |
| | 270,509 | 328,988 |
| **NON-CURRENT ASSETS** | | |
| Intangible Assets (Notes 7 & 8) | 1,291,520 | 959,934 |
| Goodwill (Note 8) | 641,230 | 628,043 |
| Due From Related Party (Note 13) | 90,000 | - |
| Property and Equipment (Note 9) | 38,530 | 30,226 |
| | 2,061,280 | 1,618,203 |
| | 2,331,789 | 1,947,191 |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| **CURRENT LIABILITIES** | | |
| Bank Indebtedness (Note 11) | 135,000 | 6,924 |
| Accounts Payable and Accrued Liabilities | 332,511 | 485,702 |
| Advances from Subscriptions | 107,500 | - |
| Current Portion of Finance Lease Obligations | - | - |
| Current Portion of Deferred Revenue | - | 900 |
| Current Portion of Long Term Debt (Note 10) | 431,802 | 965,752 |
| | 1,006,813 | 1,459,278 |
| **DEFERRED REVENUE** | - | 3,750 |
| **DEFERRED TAX LIABILITY** | - | - |
| **LONG TERM DEBT** (Note 10) | 671,155 | 242,003 |
| | 1,677,968 | 1,705,030 |
| **SHAREHOLDERS EQUITY** | | |
| Capital Stock (Note 12) | 10,440,804 | 9,269,851 |
| Agent Options (Note 12) | - | 97,600 |
| Warrants (Note 12) | 105,600 | 2,885,274 |
| Contributed Surplus (Note 12) | 4,999,721 | 1,704,693 |
| Deficit | (14,892,304) | (13,715,257) |
| | 653,821 | 242,161 |
| | 2,331,788 | 1,947,191 |

Approved by the Board: Steve Levely . . . . . . .. . . Director

Wayne O'Connell . . . . . . .. . . Director

(See accompanying notes)

**ACKROO INC.**

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

(UNAUDITED – PREPARED BY MANAGEMENT)

(Expressed in Canadian Dollars except for number of shares)

| | Common Shares | | Agent | | Contributed | Accumulated | |
|---|---|---|---|---|---|---|---|
| | Number | Amount | Options | Warrants | Surplus | Deficit | **Total** |
| **Balance at December 31, 2014** | **6,891,660** | **8,346,721** | **97,600** | **1,600,600** | **1,554,371** | **(12,117,575)** | **(518,283)** |
| Shares subscribed for cash | 8,364,165 | - | - | 1,246,285 | - | - | **1,246,285** |
| Shares subscribed from business combination | 703,297 | 337,583 | - | - | - | - | **337,583** |
| Shares Subscribed from warrants | 490,000 | 195,511 | - | (73,011) | - | - | **122,500** |
| Shares subscribed from options | 495,000 | 416,744 | - | - | (312,794) | - | **103,950** |
| Warrants issued | - | - | - | 111,400 | - | - | **111,400** |
| Share-based compensation | - | - | - | - | 451,582 | - | **451,582** |
| Comprehensive loss | - | - | - | - | - | (1,360,890) | **(1,360,890)** |
| **Balance at September 30, 2015** | **16,944,122** | **9,296,559** | **97,600** | **2,885,274** | **1,693,159** | **(13,478,465)** | **494,127** |
| | | | | | | | |
| **Balance at December 31, 2015** | **16,944,122** | **9,269,851** | **97,600** | **2,885,274** | **1,704,693** | **(13,715,257)** | **242,161** |
| Shares subscribed for Cash | 2,936,580 | 587,316 | - | - | - | - | **587,316** |
| Shares subscribed from business combination | 1,065,934 | 233,187 | - | - | - | - | **233,187** |
| Shares subscribed from warrants | 440,000 | 178,950 | - | (68,950) | - | - | **110,000** |
| Expiration of Options / Warrants | | | (97,600) | (2,710,724) | 2,808,324 | | **-** |
| Shares subscribed from options | 800,000 | 171,500 | - | - | - | - | **171,500** |
| Share-based compensation | - | - | - | - | 486,705 | - | **486,705** |
| Comprehensive loss | - | - | - | - | - | (1,177,048) | **(1,177,048)** |
| **Balance at September 30, 2016** | **22,186,636** | **10,440,804** | **-** | **105,600** | **4,999,722** | **(14,892,305)** | **653,821** |

(See accompanying notes)

# ACKROO INC.
# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
## (UNAUDITED – PREPARED BY MANAGEMENT)
(Expressed in Canadian Dollars)

| ` | Nine months Ended Sept 30, 2016 | Nine months Ended Sept 30, 2015 | Three months Ended Sept 30, 2016 | Three months Ended Sept 30, 2015 |
|---|---|---|---|---|
| | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* |
| **SALES** | | | | |
| Subscription and Service (Note 3) | 1,080,707 | 838,247 | 348,421 | 351,326 |
| Product (Note 3) | 587,380 | 382,219 | 212,143 | 168,440 |
| | 1,668,087 | 1,220,466 | 560,564 | 519,766 |
| **COST OF SALES** | | | | |
| Subscription and Service (Note 3) | 244,696 | 187,788 | 73,919 | 83,810 |
| Product (Note 3) | 321,101 | 224,296 | 105,634 | 100,104 |
| | 565,797 | 412,084 | 179,553 | 183,914 |
| | 1,102,290 | 808,382 | 381,011 | 335,852 |
| **EXPENSES** | | | | |
| Administration | 1,058,959 | 1,029,775 | 380,643 | 340,476 |
| Research and development costs | 326,583 | 403,978 | 108,821 | 135,898 |
| Sales and marketing | 1,726 | 14,865 | 929 | 3,396 |
| Share-based comp expense (Note 13b) | 486,705 | 451,582 | 226,500 | 66,334 |
| Amortization of intangible assets | 304,051 | 148,960 | 102,434 | 100,809 |
| Amortization of property and equipment | 9,582 | 9,411 | 3,194 | 3,194 |
| Foreign exchange loss (gain) | (4,500) | (6,516) | (1,423) | 296 |
| Investment tax credits and non-refundable grants | - | (90,223) | - | (90,223) |
| | 2,183,106 | 1,961,832 | 821,098 | 560,180 |
| **LOSS BEFORE THE FOLLOWING ITEMS** | (1,080,816) | (1,153,450) | (440,087) | (224,328) |
| Dispute settlement (note 13d) | - | (125,082) | - | - |
| Interest income | - | 947 | - | 36 |
| Interest expense | (183,063) | (83,305) | (48,557) | (60,090) |
| Gain on Modification of Long Term Debt | - | - | - | - |
| Gain on Acquisition | 86,832 | - | - | - |
| | (96,231) | (207,440) | (48,557) | (60,054) |
| **LOSS BEFORE INCOME TAXES** | (1,177,048) | (1,360,890) | (488,645) | (284,382) |
| **INCOME TAX EXPENSE (RECOVERY)** | - | - | - | - |
| **COMPREHENSIVE LOSS** | (1,177,048) | (1,360,890) | (488,645) | (284,382) |
| **BASIC AND DILUTED LOSS PER SHARE** | 0.06 | 0.09 | 0.02 | 0.02 |
| **WEIGHTED AVERAGE # OF COMMON SHARES OUTSTANDING** | 19,133,471 | 15,741,235 | 21,304,679 | 16,883,023 |

(See accompanying notes)

**ACKROO INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**
(UNAUDITED – PREPARED BY MANAGEMENT)
(Expressed in Canadian Dollars except for number of shares)

| ` | Nine months Ended Sept 30, 2016 *(unaudited)* | Nine months Ended Sept 30, 2015 *(unaudited)* |
|---|---|---|
| **CASH FLOWS PROVIDED BY /(USED IN) OPERATING ACTIVITIES** | | |
| Comprehensive Loss | (1,177,048) | (1,360,890) |
| Items not affecting cash: | | |
| Interest Expense | 183,063 | 78,556 |
| Amortization of property and equipment | 9,582 | 9,411 |
| Amortization of intangible assets | 304,051 | 148,960 |
| Amortization of leasehold inducement | - | - |
| Dispute Settlement | - | 111,400 |
| Gain on Acquisition | (86,832) | - |
| Share-based compensation | 486,705 | 451,582 |
| | (280,479) | (560,981) |
| Changes in Non-Cash Working Capital Items | | |
| Accounts receivable | (184,427) | (6,643) |
| Investment tax credit receivable | - | - |
| Prepaid expenses | 17,405 | 60,226 |
| Inventory | 18,175 | 182 |
| Accounts payable and accrued liabilities | (153,191) | (144,378) |
| Deferred revenue | (4,650) | (80,197) |
| | (587,167) | (731,791) |
| **CASH FLOWS PROVIDED BY /(USED IN) INVESTING ACTIVITIES** | | |
| Addition to property and equipment | (26,031) | (4,510) |
| Addition to intangible asset | - | (107,500) |
| | (26,031) | (112,010) |
| **CASH FLOWS PROVIDED BY /(USED IN) FINANCING ACTIVITIES** | | |
| Advances on bank indebtedness | 128,077 | - |
| Net advances (repayment) of loans payable | 7,500 | - |
| Repayments of long-term debt - net | (530,000) | (63,509) |
| Repayments of capital lease obligations | - | (4,254) |
| Issuance of capital stock | 868,816 | 1,322,736 |
| Advances from subscriptions | - | (590,460) |
| | 474,393 | 664,513 |
| **INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | (138,804) | (179,288) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 151,694 | 336,158 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 12,890 | 156,870 |

(See accompanying notes)

## 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 $14,892,304 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.

**Note:** We have re-mapped some revenue line items to better represent the sales split between "Subscription and Service" and "Product" as well as their corresponding Cost of Sales line items. This presentation will more accurately differentiate recurring "Sales & Subscription Revenue" from one-time "Product" revenue. Comparative prior periods have been re-mapped using the same criteria.

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.

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

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on October 28, 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 | other financial liabilities |

*Risk Management*

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

(a) Market risk

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

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's capital leases and long term debt bear interest at fixed rate. Bank indebtedness is based on market rates plus a fixed percentage and represents some risk. As a whole, the Company's exposure to interest rate risk is minimal.

*Currency risk*

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

*(b) Credit risk*

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

The balances at September 30, 2016 are as follows:

| | Amounts Due | Collected within 30 days of period end | Remaining Overdue Balance |
|---|---|---|---|
| 1 - 30 days due | 205,338 | 197,505 | 7,832 |
| 31 - 60 days due | 403 | 158 | 245 |
| 61 - 90 days due | - | - | - |
| Greater than 90 days past due | 228 | - | 228 |
| | 205,969 | 197,663 | 8,306 |

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 |

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, 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 | | 24,587 |
| | | 150,000 |

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.

As of September 30th, 2016 the Company has paid Dealer Rewards of Canada $700,000 in cash and has a remaining balance of $800,000 owed. Through a restructuring of the agreement the final $800,000 is owed with interest and paid monthly starting January 2017. The parties have agreed to pay the final amount across a 24-month term resulting in monthly payments including interest of $36,916 per month starting January 2017. There are no further payments owed in 2016 in respect to the purchase agreement.

Fair value of net assets acquired were:

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

Partial goodwill arose as a result of the recognition of the deferred tax liability with the deferred tax liability representing the tax effect of the difference between the tax value and fair value of the customer contracts and goodwill. 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 the acquisition of certain software technologies and customer contracts from D1 Mobile Corp. ("D1 Mobile"). In consideration for the assets, the Company issued 500,000 common shares. In addition, the Company entered into a consulting agreement with D1 Mobile effective on closing of the acquisition, pursuant to which D1 Mobile agreed to assist with the development and integration of the acquired assets. In consideration for providing the services under the consulting agreement D1 Mobile will receive payments of $5,000/per month plus an additional royalty bonus as described below. The consulting agreement may be terminated by either party with 30 days' notice.

All equity consideration was paid at closing and the value of the assets was recorded at fair market value. The value of the assets was 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, resulting in a total 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 | | 206,832 |
| Gain on Acquisition | | (86,832) |
| Consideration Paid | $ | 120,000 |

*Royalty Bonus:* In addition to the compensation set forth above, the D1 Mobile 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 D1 Mobile in connection with the additional bonus described below. The amount shall be paid to the Consultant on a quarterly basis, for a period of 2 years following completion of the acquisition, and each installment shall be due and payable within 60 days of completion of each fiscal quarter of the Company.

D1 Mobile shall also be entitled to an additional cash bonus equivalent to 70% of all cash amounts received by the Company for the provision of services to FRESHii Inc. in the 3 month period following completion of the acquisition, and 100% of all cash amounts received by the Company for the provision of services to Yogen Fruz in the 1 month period following completion of the acquisition.

**OnTab Inc.**

On February 18, 2016 the company completed the acquisition of certain software technologies from OnTab Inc. (“OnTab). There was no cash or share value attributed to the transaction however a consulting arrangement with one of the principals of OnTab, Ordib Inc. (“Ordib”), was initiated. Terms of the consulting agreement are open and can be terminated by the Company with 45 days’ notice. Pursuant to the terms of the consulting agreement, after an initial 20 hours of service, Ordib will be compensated at an hourly rate of $90 for the first 20 hours of any given month and $119 for each hour thereafter.

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.

**Loyalint / Fidelint Platform (ORBO RÉCOMPENSES INC)**

On September 30, 2016 the company completed the acquisition of certain software technologies and customer contracts from Orbo Récompenses Inc. (“Orbo Rewards”), which assets comprise the Loyalint/Fidelint software platform. In consideration for the assets, the Company issued 500,000 common shares, and paid cash consideration of $370,000 of which $100,000 was paid on closing of the acquisition and an additional $270,000 will be paid over a 15-month span commencing December 2016 and continuing through February 2018.

In addition, the Company entered into a consulting agreement with Orbo Rewards, effective on completion of the acquisition, with an initial term of 12 months. Pursuant to the consulting agreement, the principals of Orbo Rewards will provide technical and operational support during product migration between the Loyalint/Fidelint platform and the Company’s existing software platform. In addition, Orbo Rewards has agreed to provide second line operational support for a period of no more than 10 months or 100 hours, at no cost to the Company. Any Operational support beyond the initial 100 hours or 10 months will be billed to the Company at a rate of $75 per hour. Orbo Rewards has also agreed to providing 150 hours or 12 months of technical support, at no additional cost to the Company. Any technical support beyond the initial 150 hours or 12 months will be billed to the Company at a rate of $100 per hour.

Fair value of net assets acquired were:

| | | |
|---|---|---|
| Inventory | $ | - |
| Prepaid | | 21,478 |
| Customer contracts | | 427,180 |
| Gain on Acquisition | | - |
| Consideration Paid | $ | 448,658 |

## 7. INTANGIBLE ASSETS

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

| | **September 30, 2016** | | **December 31, 2015** | |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Intellectual Property | 87,111 | 48,395 | 87,111 | 26,617 |
| Customer Contracts | 1,756,603 | 503,799 | 1,122,591 | 223,151 |
| | 1,843,714 | 552,194 | 1,209,702 | 249,768 |
| Accumulated Amortization | 552,194 | | 249,768 | |
| | **1,291,520** | | **959,934** | |

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

During the nine-month period ended September 30, 2016, amortization expense for intellectual property amounted to $21,778 and amortization of customer contracts amounted to $280,648.

## 8. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES

The goodwill and intangible assets were tested for impairment at December 31, 2015 and September 30, 2016 and it was determined no impairment existed.

## 9. PROPERTY AND EQUIPMENT

| | Computer Equipment Under Capital Lease | Computer Equipment | Leasehold Improvements | Furniture | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| 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 |
| Disposals | - | - | - | - | - |
| As at December 31, 2015 | 29,588 | 34,767 | - | 16,888 | 81,243 |
| Additions | - | 14,167 | - | 11,864 | 26,031 |
| Disposals | - | (8,145) | - | - | (8,145) |
| As at September 30, 2016 | 29,588 | 40,789 | - | 28,752 | 99,129 |

| 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 | 2,388 | 5,370 | - | 1,824 | 9,582 |
| Disposals | - | - | - | - | - |
| As at September 30, 2016 | 26,393 | 25,221 | - | 8,985 | 60,599 |

| 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 | - | 9,727 | 30,226 |
| As at September 30, 2016 | 3,195 | 15,568 | - | 19,767 | 38,530 |

## 10. LONG-TERM DEBT

The Company has a long term debt obligation from the acquisition of Dealer Rewards of Canada. The Company made a partial payment in June which followed with a partial payment in July to satisfy the 2016 debt requirements. A payment was made in July 2016 in the amount of $165,000 resulting in an outstanding balance as of September 30th in the amount of $800,000. The Company also has a long term debt obligation from the acquisition of Loyalint/Fidelint in the amount of $270,000. The Company will make monthly payments in the amount of $18,000 commencing December 2016 through February 2018.

| | September 30, 2016 |
|---|---|
| Current Portion | $ 431,802 |
| Long Term Portion | $ 671,155 |

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

| | |
|---|---|
| 2016 | 18,000 |
| 2017 | 616,000 |
| 2018 | 436,000 |

## 11. CREDIT FACILITIES

The Company has a revolving demand facility with a maximum borrowing of $200,000 of which $135,000 was utilized at September 30, 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 September 30, 2016 the Company had 22,186,636 common shares issued and outstanding (December 31, 2015 – 16,944,122).

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.

During the second quarter of 2016, the Company closed a private placement for net proceeds of $587,316.

The Company issued 2,936,580 units to subscribers at a price of $0.20 per unit. No finder's fees or commissions were paid in connection with the closing of the private placement.

During the third quarter of 2016, 800,000 options were exercised by executives and employees of the Company and the Company issued an additional 1,010,000 options to employees and executives. In addition, the Company opened a Private Placement to raise proceeds of $1.0M.

### (b) Escrow Shares

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

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

### (c) Outstanding Warrants

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

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

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 September 30, 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.

### (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 22,186,636 common shares outstanding, which means that up to 2,218,664 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** | **$2.500** |
| Expired/Cancelled | -562,457 | $2.780 |
| Granted | 353,417 | $0.870 |
| **Balance, December 31, 2014** | **355,863** | **$1.180** |
| ESOP Options Granted | 1,710,000 | $27.00 |
| ESOP Expired/Cancelled | -589,292 | $1.180 |
| Exercised | -495,000 | $0.210 |
| **Balance, December 31, 2015** | **981,571** | **$0.460** |
| ESOP Options Granted | 2,290,000 | $0.224 |
| ESOP Expired/Cancelled | -310,000 | $0.373 |
| Exercised | -800,000 | $0.210 |
| **Balance, September 30, 2016** | **2,161,571** | **$0.265** |

At September 30, 2016, 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) |
|---|---|---|---|---|---|---|
| October 1, 2012 | 21,571 | 21,571 | $ | 1.000 | October 1, 2017 | 1.00 |
| January 19, 2015 | 50,000 | 50,000 | $ | 0.210 | January 18, 2018 | 1.25 |
| June 15, 2015 | 450,000 | 450,000 | $ | 0.370 | June 15, 2018 | 1.75 |
| January 11, 2016 | 250,000 | 250,000 | $ | 0.250 | January 11, 2019 | 2.46 |
| June 7, 2016 | 380,000 | 380,000 | $ | 0.200 | June 7, 2019 | 2.75 |
| July 15, 2016 | 250,000 | 250,000 | $ | 0.260 | July 15, 2019 | 2.80 |
| August 22, 2016 | 410,000 | 410,000 | $ | 0.235 | August 22, 2019 | 2.90 |
| September 15, 2016 | 350,000 | 350,000 | $ | 0.210 | September 15, 2019 | 2.96 |
| **September 30, 2016** | **2,161,571** | **2,161,571** | **$** | **0.265** | | |

## 13. OTHER INFORMATION

### a. Commitments

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

| | |
|---|---|
| 2016 | 27,438 |
| 2017 | 109,752 |
| 2018 | 48,292 |

Lease payments recognized as an expense during the nine-month periods ended September 30, 2016 and September 30, 2015 were $79,314 and $74,937 respectively.

### b. Compensation of key management personnel

The remuneration of key management personnel of the Company during the nine-month period ended September 30, 2016 and September 30, 2015 was as follows:

| | September 30, 2016 | September 30, 2015 |
|---|---|---|
| Salaries, incentives / short-term benefits | $ 158,805 | $ 364,260 |
| Share based compensation | $ 173,106 | $ 321,291 |

### 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 exercise of warrants over a period of up to three (3) years. The amount of the warrant exercise is reflected in the "due from related party" as shown in the financial statements and as of September 30, 2016, no amount has been drawn down. This is a non-cash transaction.

### 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.