CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For

ACKROO INC.

As at and for the three-months ended March 31, 2021

(UNAUDITED – PREPARED BY MANAGEMENT)

NOTICE OF NO AUDITOR REVIEW OF 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.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
as at March 31, 2021 and December 31, 2020
(UNAUDITED – PREPARED BY MANAGEMENT)
(Expressed in Canadian Dollars except for share and per share amounts)

	Mar 31, 2021	**Dec 31, 2020**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,496,971	1,932,408
Accounts receivable (Note 4)	431,290	414,604
Inventory	31,910	32,187
Prepaid expenses and other assets	185,266	193,238
Total current assets	2,145,437	2,572,437
Non-current assets		
Due from related party (Note 14)	300,000	300,000
Property and equipment (Note 8)	1,925,504	1,991,132
Intangible assets (Notes 6 & 7)	3,690,019	4,065,381
Goodwill (Note 7)	2,249,084	2,249,084
Total non-current assets	8,164,607	8,605,597
Total assets	10,310,044	11,178,034
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank indebtedness (Note 11)	-	-
Accounts payable and accrued liabilities	414,270	537,267
Current portion of lease liability	245,510	247,107
Current portion of deferred revenue	26,070	110,179
Current portion of long term debt (Note 9)	803,278	1,426,586
Total current liabilities	1,489,128	2,321,139
Deferred revenue	21,788	27,657
Lease liability (Note 10)	1,625,889	1,667,677
Long term debt (Note 9)	3,347,827	3,343,814
Total liabilities	6,484,632	7,360,287
SHAREHOLDERS' EQUITY		
Capital stock (Note 13)	18,261,908	17,330,926
Warrants (Note 13)	1,230,552	1,378,985
Contributed surplus (Note 13)	1,607,489	1,798,150
Deficit	(17,274,537)	(16,690,314)
Total shareholders' equity	3,825,412	3,817,747
Total liabilities and shareholders' equity	10,310,044	11,178,034

Commitments (Note 14)
Subsequent events (Note 16)

Approved by the Board:

Steve Levely Director

Wayne O'Connell Director

(The accompanying notes are an integral part of these consolidated financial statements)

ACKROO INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the three-months ended March 31, 2021 and 2020
(UNAUDITED – PREPARED BY MANAGEMENT)
(Expressed in Canadian Dollars except for share and per share amounts)

	Three months ended **March 31, 2021**	Three months ended **March 31, 2020**
SALES		
Subscription	1,054,468	1,157,661
Product	229,821	328,210
Total sales	1,284,289	1,485,871
COST OF SALES		
Subscription	106,544	128,415
Product	54,052	84,191
Total cost of sales	160,595	212,606
Gross profit	1,123,694	1,273,265
EXPENSES		
Administration	487,738	504,897
Research	340,319	406,614
Sales and marketing	290,095	114,219
Share-based compensation expense (Note 13)	61,498	200,092
Amortization of intangible assets	401,758	389,821
Amortization of property and equipment	75,352	65,684
Foreign exchange loss (gain)	(2,868)	(1,439)
Total expenses	1,653,894	1,679,888
LOSS BEFORE THE FOLLOWING ITEMS	(530,200)	(406,623)
FINANCE COSTS		
Interest expense	(119,019)	(116,410)
Amortization of deferred financing charges	(4,013)	(3,622)
Total finance costs	(123,033)	(120,032)
LOSS BEFORE INCOME TAXES	(653,233)	(526,655)
INCOME TAX	-	-
NET LOSS AND COMPREHENSIVE LOSS	(653,233)	(526,655)
BASIC AND DILUTED LOSS PER SHARE	(0.006)	(0.007)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	105,774,475	77,129,898

(The accompanying notes are an integral part of these consolidated financial statements)

ACKROO INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the three-months ended March 31, 2021 and 2020
(UNAUDITED – PREPARED BY MANAGEMENT)
(Expressed in Canadian Dollars except for share and per share amounts)

	Common Shares Number	Common Shares Amount	Agent Options	Warrants	Contributed Surplus	Accumulated Deficit	**Total**
Balance at December 31, 2019	**76,560,226**	**15,294,708**	**-**	**254,827**	**1,806,972**	**(15,641,058)**	**1,715,449**
Shares subscribed from options and warrants	588,043	113,368	-	-	(47,993)	-	**65,375**
Expiration of options / warrants	-	-	-	-	(64,156)	64,156	**-**
Share-based compensation	-	-	-	-	200,092	-	**200,092**
Comprehensive loss	-	-	-	-	-	(526,655)	**(526,655)**
Balance at March 31, 2020	**77,148,269**	**15,408,076**	**-**	**254,827**	**1,894,915**	**(16,103,557)**	**1,454,261**

	Common Shares Number	Common Shares Amount	Agent Options	Warrants	Contributed Surplus	Accumulated Deficit	**Total**
Balance at December 31, 2020	**102,588,269**	**17,330,926**	**-**	**1,378,985**	**1,798,150**	**(16,690,314)**	**3,817,747**
Shares subscribed from options and warrants	5,074,000	930,982	-	(148,433)	(183,149)	-	**599,400**
Expiration of options / warrants	-	-	-	-	(69,010)	69,010	**-**
Cost of Equity	-	-	-	-	-	-	**-**
Warrants issued	-	-	-	-	-	-	**-**
Business Combination - SPA	-	-	-	-	-	-	**-**
Share-based compensation	-	-	-	-	61,498	-	**61,498**
Comprehensive loss	-	-	-	-	-	(653,233)	**(653,233)**
Balance at March 31, 2021	**107,662,269**	**18,261,908**	**-**	**1,230,552**	**1,607,489**	**(17,274,537)**	**3,825,412**

(The accompanying notes are an integral part of these consolidated financial statements)

ACKROO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three-months ended March 31, 2021 and 2020
(UNAUDITED – PREPARED BY MANAGEMENT)
(Expressed in Canadian Dollars except for share and per share amounts)

	March 31, 2021	March 31, 2020
OPERATING ACTIVITIES		
Net loss	(653,233)	(526,655)
Items not affecting cash:		
Amortization of deferred financing charges	4,013	3,622
Amortization of property and equipment	75,352	65,684
Amortization of intangible assets	401,758	389,821
Share-based compensation	61,498	200,092
Non-cash interest	23,933	26,041
	(86,679)	**158,605**
Changes in non-cash working capital items		
Accounts receivable	(16,686)	99,831
Inventory	277	4,283
Prepaid expenses and other assets	7,972	213,549
Accounts payable and accrued liabilities	(122,997)	(243,703)
Deferred revenue	(89,979)	3,419
Cash provided by (used in) operating activities	**(308,092)**	**235,984**
INVESTING ACTIVITIES		
Purchase of property and equipment	(11,120)	(26,566)
Purchase of intangible assets	(25,000)	(456,263)
Cash used in investing activities	**(36,120)**	**(482,829)**
FINANCING ACTIVITIES		
(Repayment) advances of bank indebtedness	-	270,000
Repayment of long-term debt	(623,307)	(23,793)
Cash payments of lease liabilities	(67,318)	(55,466)
Issuance of capital stock	599,400	65,375
Cash provided by (used in) financing activities	**(91,225)**	**256,116**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(435,437)	9,270
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	1,932,408	28,604
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	1,496,971	37,874

(The accompanying notes are an integral part of these consolidated financial statements)

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 1250 South Service Rd, Unit A31 (3rd Floor) Hamilton, ON L8E 5R9. 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. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements for the three-months ended March 31, 2021 were approved and authorized for issue by the Board of Directors on May 26, 2021.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis.

Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Company and its wholly owned subsidiaries Ackroo Canada Inc., Ackroo Corporation and 3916715 CANADA INC. / GGGolf. The financial statements of all subsidiaries are prepared for the same reporting period, using consistent accounting policies. In preparing the consolidated financial statements, all intra-group balances and transactions between the entities in the consolidated group have been eliminated.

The consolidated financial statements are presented using the Canadian dollar, which is the parent and subsidiary companies' functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company's revenue is derived from the provision of loyalty rewards software-as-a-service ("SaaS") arrangements, consulting services and consumable products utilized by its customers in the implementation and management of customer loyalty programs. Revenue is generated in three distinct ways: (i) setup includes all of the components required to start a loyalty program including: software, card readers, loyalty cards, artwork, training and configuration of the software to meet customer specific requirements; (ii) transactions include the ongoing monthly processing of loyalty transactions and are charged on either a per transaction basis or a flat monthly fee over the contract period; (iii) the Company also generates revenue from consulting services provided for additional customer training and customized development of loyalty programs.

Typically, the Company enters into contracts that contain services such as subscriptions, incremental variable fees, transaction fees, setup fees and professional services. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the services are distinct from some or all of the other services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and Ackroo's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Where a contract consists of more than one performance obligation, revenue for each performance obligation is recognized primarily on the relative fair value basis for each performance obligation.

The Company recognizes revenue when it has transferred significant risks of ownership, legal title has passed, it retains neither continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transactions will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from setup not relating to the sale of product is classified as subscription and service on the consolidated statements of loss and comprehensive loss and is deferred and recognized over the expected life of the estimated term of the merchant agreement. Revenue from license and subscriptions is recognized evenly over the term or estimated term. Revenue from the supply of product and service and consulting fees is recognized in the year in which the product or services are delivered.

Deferred revenue

Deferred revenue is comprised of startup fees received in advance of a merchant being setup on the Company's loyalty platform and is recognized in income over the estimated life of the merchant agreement. There is additional, short-term, deferred revenue related to the GGGolf acquisition consisting of a few annual service fee payments made in advance to the previous owner. This portion of the deferred revenue will be eliminated (fully recognized) by the end of March 2021 and will not exist going forward.

Cash and cash equivalents

The Company's policy is to present bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and undeposited funds on hand.

Inventory

Inventory consists of components such as cards and card readers and is recorded at the lower of cost and net realizable value. Previously written down inventory is reversed if circumstances that caused the write-down no longer exist.

Financial instruments

Financial instruments are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of a financial instrument. The Company initially recognizes all of its financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value.

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management choices and intentions related thereto for the purpose of ongoing measurements. Classification for financial assets include:

a) FVTPL – measured at fair value with changes in fair value recorded in the statement of loss;
b) FVTOCI – measured at fair value with changes in fair value recognized in other comprehensive income for the current year until realized through disposal or impairment except for investment in affiliate as it is a non-derivative equity instrument with no quoted market price; and

c) Amortized cost – recorded at amortized cost with gains and losses recognized in net earnings in the year that the asset is no longer recognized or impaired.

Classification choices for financial liabilities include:

a) FVTPL – measured at fair value with changes in fair value recorded in net earnings; and
b) Amortized cost – measured at amortized cost with gains and losses recognized in net earnings in the year that the liability is derecognized.

The Company's financial assets and liabilities are classified and measured as follows:

Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Due from related party	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

With respect to financial assets measured at amortized cost, the Company assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Company determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, they will then recognize a reduction as an impairment loss in the statements of income and comprehensive income. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in the statements of income and comprehensive income in the year the reversal occurs.

Transaction costs other than those related to financial instruments classified as FVTPL or FVTOCI, which are expensed as incurred, are added to or deducted from the fair value of the financial asset or financial liability, as appropriate, on initial recognition and amortized using the effective interest method.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability. Inputs into the determination of the fair value require management judgment or estimation.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes to valuation methods may result in transfers into or out of an investment's assigned level.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or if the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

Foreign currency

In preparing the financial statements, transactions in currencies other than the Company's functional currency are recorded at the exchange rates prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the foreign exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Canadian dollars at the effective exchange rate on the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in the statement of loss.

Property and equipment

Property and equipment are recorded at cost less residual value and accumulated amortization. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. Amortization is provided when the asset is available for use, over the estimated useful life of the asset, using the following annual rates and methods:

Computer equipment	45%, declining balance method
Right of use leased asset	straight line, over the remaining term of the lease
Leasehold improvements	straight line, over the shorter of useful life or term of the lease
Furniture and fixtures	20%, declining balance method

An asset's residual value, useful life and amortization method are reviewed, and adjusted prospectively if appropriate, on an annual basis.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statements of loss and comprehensive loss.

Business combinations

Business combinations are accounted for by applying the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. The acquiree's identifiable assets and liabilities that meet the conditions for recognition under IFRS 3, Business Combinations ("IFRS 3"), are recognized at their fair value at the acquisition date.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Transaction costs related to the acquisition are expensed as they are incurred.

Goodwill arising on acquisition is recognized as an asset and represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of the acquisition. Any excess of identifiable net assets over the acquisition cost is recognized in net income immediately after acquisition.

Goodwill and intangible assets

Goodwill, representing the excess of the purchase price over the fair value of the net assets acquired, is carried at its original value based on the acquisition, less impairment losses determined subsequent to the acquisition. Goodwill, both new and existing, is measured against the whole operations of Ackroo as a singular cash generating unit (CGU).

Intangible assets consist of acquired customer contracts, internally development research and development intellectual property and intellectual property acquired through acquisitions. Intangible assets are accounted for at cost. Customer contracts and intellectual property have finite useful lives and are carried at cost less accumulated amortization and accumulated impairment losses. The customer contracts are amortized on straight-line basis over the estimated useful life of 3 years. Intellectual property is amortized on straight-line basis over the estimated useful life of 5 years.

Impairment of non-financial assets

Goodwill and intangibles with indefinite useful lives are reviewed for impairment annually, or when events or changes in circumstances indicate the carrying value of the assets may not be recoverable. Goodwill, both new and existing, is measured against the whole operations of Ackroo as a singular cash generating unit (CGU). If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs of disposal and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses related to goodwill cannot be reversed.

Long-lived assets or finite life intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. When an impairment loss subsequently reverses, other than related to goodwill, the carrying amount of the asset is increased to the revised estimate but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior years.

In the process of measuring expected future cash flows, management makes assumptions about future growth of profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets in subsequent financial years.

Income taxes

The income tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated statements of loss and comprehensive loss, except to the extent it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is recognized in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted, at the end of the year, and any adjustments to tax payable in respect to previous years.

Deferred taxes are calculated using the asset and liability method on temporary differences between the carrying amount of assets and liabilities and their related tax bases. Deferred income taxes are measured using substantively enacted tax rates that will be in effect when the amounts are expected to be settled. Deferred tax assets are only recognizable to the extent it is probable that they will be utilized against future taxable income. The assessment of probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved forecast, which is adjusted for significant non-taxable income and expenses. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, the deferred tax asset is generally recognized to the extent it is recoverable.

Deferred tax assets and liabilities are only offset when the Company has the right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets and liabilities are recognized as a component of income or expense in net earnings or loss, except where they relate to items that are recognized in other comprehensive income or equity.

Investment tax credits

The Company claims investment tax credits as a result of incurring scientific research and development expenditures. Investment tax credits are recognized when the related expenditures are incurred and there is reasonable assurance of their realization. Investment tax credits in connection with research and development activities are recorded as a reduction of the cost of the related assets or expenditures. Management has made a number of estimates and assumptions in determining the expenditures eligible for the investment tax credit claim and the amount could be materially different from the recorded amount upon assessment by the Canada Revenue Agency.

Research and development

Current research costs other than property and equipment acquisitions are expensed as incurred. Development costs are deferred and amortized when the criteria for deferral under IFRS are met, or otherwise, are expensed. In 2020, the Company recognized research and development assets which met the criteria under IAS 38 in the amount of $547,964 in development assets were capitalized in 2020. The were no additional development assets capitalized in the three-months ended March 31, 2021.

The criteria for the assets recognized under IAS 38 were:

(a) technical feasibility of completing the intangible asset so that it will be available for use or sale.
(b) its intention to complete the intangible asset and use or sell it.
(c) its ability to use or sell the intangible asset.
(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Share-based payments

The Company records equity settled share-based payments for the granting of stock options and warrants granted using the fair value method whereby all awards to employees are recorded at the fair value of each stock option or warrant at the date of the grant using the Black-Scholes option pricing model. The fair value of the stock options is amortized over the vesting period with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of options expected to eventually vest. Any consideration paid by the option or warrant holders to purchase shares is credited to share capital and the related share-based payments is transferred from warrant reserve or contributed surplus to share capital.

Loss per share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the year in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the year exceeds the exercise price of the options and warrants.

Due to the losses for the three-months ended March 31, 2021 and March 31, 2020, and the antidilutive impact of options or warrants issued, basic loss per share is equal to diluted loss per share for the years presented.

Leases

At the inception of a contract, an evaluation is made to determine whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The following factors are considered to assess whether a contract conveys the right to control the use of an identified asset:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefit from use of the identified asset throughout the period of use; and
- the Company has the right to the direct use of the asset.

Lessee accounting

A right-of-use asset and a lease liability is recognized at the lease commencement date. The right-of-use asset is initially measured at cost, consisting of:

- the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset will typically be depreciated on a straight-line basis over the lease term, unless ownership of the leased asset is expected at the end of the lease. The lease term will consist of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease that are reasonably certain to be exercised;
- periods covered by options to terminate the lease that are reasonably certain not to be terminated.

If the Company expects to obtain ownership of the leased asset at the end of the lease, the right-of-use asset is depreciated over the underlying asset's estimated useful life. Additionally, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Usually, the incremental borrowing rate is used to discount lease payments as the interest rate implicit in a lease cannot be readily determined. The lease liability is subsequently measured at amortized cost using the effective interest rate method.

Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option that is reasonably certain to be exercised, lease payments in an optional renewal period that are reasonably certain to be exercised, and penalties for early termination of a lease unless it is reasonably certain not to be terminated early.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether or not a purchase, extension or termination option will be exercised. When the lease liability is remeasured in any of these circumstances, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The lease liability is also remeasured when the underlying lease contract is amended. When there is a decrease in contract scope, the lease liability and right-of-use asset will decrease relative to this change with the difference recorded in net income prior to the remeasurement of the lease liability.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year.

<u>Revenue recognition</u>

Revenue from setup fees is recognized over the life of the merchant agreement. Judgment is required when determining the fair value of elements included in a bundled merchant arrangement and the estimated life of each merchant agreement. Revenue for service elements is recognized as the services are performed. Estimates of performance are required to recognize revenue.

<u>Valuation of identifiable assets in a business combination</u>

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may determine the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

Asset purchase or business combination

The Company applies judgement on whether the purchase of shares or assets represents a business combination or an asset purchase. The Company also applies judgment on the recognition and measurement of the assets acquired and liabilities assumed, and estimates are utilized to calculate and measure such adjustments. In measuring the fair value of the assets and liabilities acquired management uses estimates of future cash flows and discount rates.

Estimated useful lives of assets

The estimated useful lives of intangible assets and property and equipment are based on management's intentions, historical experience, internal plans and other factors as determined by management. The useful lives are reviewed on an annual basis and any revisions to the useful lives are accounted for prospectively.

Impairment of financial instruments

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivable are measured at an amount equal to the lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit impairment on an individual basis. The remaining financial assets are assessed collectively.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition of deferred income taxes

The extent to which deferred income tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of a legal or economic limit of uncertainties in various tax jurisdictions.

Estimated BDC principal repayments

The BDC principal repayment structure is in the form of annual cash flow sweeps starting April 2021 for the 2020 fiscal year. The amount of the cash repayment is based on 50% of the available free cash flow from the prior year's operations to a maximum of $600,000 per year. Estimates have been made which reflect the Company's projected cash flow however, actual principal repayments may differ based on actual results.

Estimation uncertainty

Significant accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of future cash flows utilized in assessing net recoverable amounts and net realizable values; identification and measurement of assets acquired and liabilities assumed in business combinations; amortization; allowance for doubtful accounts; useful lives of property, equipment and intangible assets; recoverability of goodwill and long-lived assets; ability to utilize tax losses and investment tax credits; fair value of share based awards and warrants; and measurement of deferred taxes. In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis where required.

These estimates have been applied in a consistent manner and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in these financial statements. The estimates are impacted by many factors, some of which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

Recently adopted accounting standards

Ackroo has applied the following new or amended IFRS standards, applicable for annual periods beginning on or after January 1, 2020:

Amendment to IFRS 3 – Business combinations

In October 2018, the IASB issued Definition of a Business (Amendments to IFRS 3). The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments provide an assessment framework to determine when a series of integrated activities is not a business. The amendments will be effective for the Company's business combinations and asset acquisitions occurring on or after the Corporation's fiscal year beginning on January 1, 2020. The amendment did not have a significant impact on the Company's consolidated financial statements.

Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after

January 1, 2022. The amendment did not have a significant impact on the Company's consolidated financial statements.

Accounting standards issued but not yet applied

At the date of approval of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Company. Those standards and amendments are not expected to be relevant to the Company's financial statements.

4. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, due from related party, 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.

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.

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.

(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.

(Expressed in Canadian Dollars except for share and per share amounts)

The aging of accounts receivable balances at March 31, 2021 are as follows:

	Amounts Due	Collected within 30 days of period end	Remaining Aged Balance
1 - 30 days	327,864	294,753	33,111
31 - 60 days	33,100	5,335	27,766
61 - 90 days	52,993	35,954	17,039
Greater than 90 days	17,333	1,856	15,476
	431,290	337,898	93,392

The aging of accounts receivable balances at Mar 31, 2020 are as follows:

	Amounts Due	Collected within 30 days of period end	Remaining Aged Balance
1 - 30 days	362,211	243,669	118,541
31 - 60 days	34,366	11,948	22,418
61 - 90 days	5,505	4,030	1,474
Greater than 90 days	1,176	-	1,176
	403,258	259,648	143,610

The Company has limited credit risk since the Company does not typically extend credit to its customers and customers are required to provide a pre-authorized method of payment upon entering into a service contract. The Company carries out, on a continuing basis, credit checks on its clients, a review of outstanding amounts and maintains provisions for estimated uncollectible accounts. Provisions for doubtful accounts, not due to credit loss, are made on an account by account basis. At March 31, 2021, the allowance for doubtful accounts amounted to $Nil (2020 - $Nil). At March 31, 2021, there was only one customer that represented greater than 10% of the current total accounts receivable (11.5%) whose entire balance was subsequently paid after quarter 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.

5. ACQUISITIONS

Business Combinations

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. 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 and fiscal 2019 ($25,000 – 2018 and $75,000 – 2019). 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.

(Expressed in Canadian Dollars except for share and per share amounts)

In February 2019, the Company renegotiated the consulting agreements related to the KESM acquisition to significantly lower the monthly consultation fees and extending the term of the agreement. The monthly consulting fees which had a remaining term of 47 months has been extended to 84 months with the monthly amounts decreasing from $33,333 CAD and $10,000 USD to $16,246 CAD and $8,000 USD respectively for an annual savings of $236,968.

Fair value of net assets acquired is as follows:

Inventory	$ 500
Customer contracts	2,080,000
Intellectual property	110,000
Goodwill arising on acquisition	871,041
	$ 3,061,541

IQ724

On July 2, 2019, the Company completed the acquisition of certain assets of I.Q. 7/24 Inc. ("IQ724"), a wholly owned subsidiary of Mobi724 Global Solutions Inc. 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 acquisition of the IQ724 assets is expected to contribute significantly 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 consideration for the assets, the Company paid cash consideration of $2,800,000 on closing. In addition, the Company entered into a 2-year licensing agreement with Mobi724 Global Solutions Inc. for $20,000/month to allow support, development and migration of the customers from the Mobi724 Global Solutions Inc. platform to the Ackroo platform. The acquisition was funded through the debt financing provided by BDC Capital Inc. This agreement was amended in December 2019 as the company agreed to acquire full rights to the IP in the amount of $320,000. As of February 29,2020. A deposit of $160,000 was paid in December 2019 with the balance to be paid in two $90,000 installments after the February 29, 2020 closing date once transition was completed. All amounts have been paid in full as of June 30, 2020.

Fair value of net assets acquired is as follows:

Customer contracts	$ 2,415,000
Goodwill arising on acquisition	385,000
IP	320,000
	$ 3,120,000

(Expressed in Canadian Dollars except for share and per share amounts)

WinWin / Resulto

On February 28, 2020, the Company completed the acquisition of assets related to WinWin / Resulto's hospitality and retail gift card and loyalty platform and all related customers for $136,263 in cash consideration. The marketing software platform will assist Ackroo's growth strategies via hospitality and retail and provide some key integrations.

Fair value of net assets acquired is as follows:

Customer contracts	$	116,263
IP		20,000
	$	136,263

3916715 CANADA INC. / GGGolf

On October 30, 2020, the Company acquired the 100% of the shares of 3916715 CANADA INC (operating as GGGolf) with consideration of $1,800,000 in cash ($1,200,000 on closing and $600,000 after 90 days) as well as a provision for potential additional consideration of up to a maximum of $200,000 based on $2 per every $1 over $900,000 in annual gross revenue. The amount owing is non-interest bearing and the acquisition was recorded and discounted at an effective rate of 10%. Since it is unknown if the additional consideration will be achieved, it has not been included in the year end liability balance. In addition, the cash payments of $1,200,000 and $600,000 were reduced by $76,915 and $45,000 respectively based on the post-acquisition analysis of the working capital deficit in the entity. The acquired tangible assets included $79,537 in cash and $68,835 in accounts receivable, all of which have been successfully collected since acquisition.

Fair value of net assets acquired is as follows:

Customer contracts	$	977,000
Goodwill arising on acquisition		365,000
Brand		59,000
IP		301,000
	$	1,702,000

Asset Purchases

BNA Smart Payments

On April 2, 2020, the Company completed an asset acquisition with BNA and acquired certain assets of BNA Smart Payments with consideration consisting of $200,000 cash on closing and additional consideration being paid over the next 24 months based on 100% of the actual residual payment revenues in year one (1) and 50% of the actual residual payment revenues in year two (2) from the BNA customers. The loan is non-interest bearing and unsecured. The balance of the future cash consideration was recorded and discounted at an effective interest rate of 10%.

Fair value of net assets acquired is as follows:

Customer contracts	$	822,000

(Expressed in Canadian Dollars except for share and per share amounts)

6. INTANGIBLE ASSETS

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

Cost	Intellectual Property	Brand	Customer Contracts	Total
As at December 31, 2019	197,111	-	6,164,771	6,361,882
Additions - business combination	1,203,864	59,000	1,915,262	3,178,126
As at December 31, 2020	1,400,975	59,000	8,080,033	9,540,008
Additions	25,000	-	-	25,000
As at March 31, 2021	1,425,975	59,000	8,080,033	9,565,008
Accumulated Amortization				
As at December 31, 2019	148,796	-	3,514,969	3,663,765
Amortization	75,047	-	1,735,815	1,810,862
As at December 31, 2020	223,843	-	5,250,784	5,474,627
Amortization	39,508	-	360,855	400,363
As at March 31, 2021	263,351	-	5,611,639	5,874,990
Net book value				
As at December 31, 2019	48,315	-	2,649,802	2,698,117
As at December 31, 2020	1,177,132	59,000	2,829,249	4,065,381
As at March 31, 2021	1,162,625	59,000	2,468,394	3,690,019

The intangible assets acquired in 2020 and 2019 were recorded as a result of the business combinations and asset acquisition as disclosed in Note 5.

7. GOODWILL

Goodwill in the amount of $385,000 arose on the acquisition of the IQ724 assets as of July 2, 2019. This value, in part, consists of synergistic benefits realized by the Ackroo immediately following the acquisition such as an increase of revenues, costs efficiencies, wider customer base, and access to more debt.

Goodwill in the amount of $365,000 arose on the acquisition of the 3916715 CANADA INC. o/a GGGolf as of October 30, 2020. This value, in part, consists of synergistic benefits realized by the Ackroo immediately following the acquisition such as an increase of revenues, costs efficiencies, wider customer base, and access to more debt.

Goodwill will not be fully deductible for tax purposes.

Ackroo (Single CGU)	**Goodwill**
Balance, December 31, 2018	**1,499,084**
Additions - IQ724	385,000
Balance, December 31, 2019	**1,884,084**
Additions - GGGolf	365,000
Balance, December 31, 2020	**2,249,084**
Additions - Nil	-
Balance, March 31, 2021	**2,249,084**

(Expressed in Canadian Dollars except for share and per share amounts)

Goodwill for was tested for impairment at December 31, 2020, based on 2 cash generating units (CGU's). One for the existing Ackroo operations and one for the newly acquired GGGolf entity and it was determined that no impairments existed. No impairments of goodwill have been recorded historically. The total amount of goodwill carried by the Company at year end is $2,249,084, of which $1,884,084 is allocated to the Ackroo entity prior to the acquisition of GGGolf and $365,000 is allocated to the GGGolf share purchase. Goodwill was not tested as of March 31, 2021 and is only tested annually.

8. PROPERTY AND EQUIPMENT

Cost	Computer equipment	Right of use leased asset - office space	Furniture and fixtures	Total
As at December 31, 2019	157,098	2,391,645	63,172	2,611,915
Additions	38,515	-	20,831	59,346
Disposition	-	192,245	-	192,245
As at December 31, 2020	195,613	2,199,400	84,003	2,479,016
Additions	11,120	-	-	11,120
Disposition	-	-	-	-
As at March 31, 2021	206,732	2,199,400	84,003	2,490,136

Accumulated amortization	Computer equipment	Right of use leased asset - office space	Furniture and fixtures	Total
As at December 31, 2019	97,681	173,731	23,190	294,602
Additions	34,397	256,000	10,031	300,428
Disposition	-	107,146	-	107,146
As at December 31, 2020	132,078	322,585	33,221	487,884
Additions	9,295	64,517	2,935	76,747
Disposition	-	-	-	-
As at March 31, 2021	141,373	387,102	36,156	564,631

Net book value	Computer equipment	Right of use leased asset - office space	Furniture and fixtures	Total
As at December 31, 2019	59,417	2,217,914	39,982	2,317,313
As at December 31, 2020	63,535	1,876,815	50,782	1,991,132
As at March 31, 2021	65,359	1,812,298	47,847	1,925,504

For the three-months ended March 31, 2021, the Company recorded a right of use leased asset – office space and leased furniture in the amount of $2,199,400 with a total related lease liability of $1,871,400 using a discount rate of 5%.

(Expressed in Canadian Dollars except for share and per share amounts)

9. LONG-TERM DEBT

The Company has the following debt balances outstanding:

	2021	2020
On July 2, 2019, the Company secured financing from BDC Capital Inc. in the amount of $3,000,000. On April 3, 2020 the Company received an additional $1,000,000 disbursement from BDC connected to the original financing. The BDC Capital Inc. financing has a 5-year term, bears an initial interest rate of 9.75% and incurred a 1.5% ($45,000) upfront fee for the first disbursement and ($15,000) for the second disbursement. The loan has annual principal repayments commencing April 2021 based on 50% of free available cash flow from the prior fiscal year with a maximum annual principal repayment of $600,000. The closing costs related to the loan were capitalized and will be recognized over the 5-year term of the loan. The loan is secured by a floating security charge over all assets of the Company.	4,000,000	4,000,000
On April 2, 2020, the Company acquired some assets of BNA Smart Payments with consideration consisting of $200,000 cash on closing and additional consideration being paid over the next 18 months based on the actual residual payment revenues from the BNA customers. The balance of the future estimated cash consideration was recorded and discounted at an effective interest rate of 10%. The loan is non-interest bearing and unsecured.	203,278	285,311
On October 30, 2020, the Company acquired 3916715 CANADA INC (operating as GGGolf) with consideration of $1,800,000 in cash ($1,200,000 on closing and $600,000 after 90 days) as well as a provision for potential additional consideration of up to a maximum of $200,000 based on $2 per every $1 over $900,000 in annual gross revenue. The amount owing is non-interest bearing and the acquisition was recorded and discounted at an effective rate of 10%. Since it is unknown if the additional consideration will be achieved, it has not been included in the year end liability balance. In addition, the cash payments of $1,200,000 and $600,000 were reduced by $76,915 and $45,000 respectively based on the post-acquisition analysis of the working capital deficit in the entity. Balance was paid on January 30, 2021.	-	541,275
	4,203,278	4,826,586
Unamortized financing costs	52,173	56,186
Current portion	803,278	1,426,586
Long-term portion	3,347,827	3,343,814

The estimated principal repayments over the next five years are:

2021	$	752,458
2022		650,820
2023		600,000
2024		2,200,000
2025		-
	$	4,203,278

The interest incurred on the long-term debt in the three-months ended March 31, 2021 and 2020, was $99,100 and $81,820 respectively.

(Expressed in Canadian Dollars except for share and per share amounts)

10. LEASE LIABILITIES

Lease liabilities are comprised of the two leases, one for office space premises located in Stoney Creek, ON and the other for office furniture for the Stoney Creek office with monthly lease payments in the amounts of $19,036 and $2,830 respectively. The Ottawa lease was terminated early for a one-time payout of $27,500. The lease liability was calculated at a 5% incremental borrowing rate. Lease interest expense and amortization expense for the three-months ended March 31, 2021 were $23,933 and $64,517 respectively. Lease liabilities as of March 31, 2021 were $245,510 (short-term) and $1,625,889 (long-term).

11. CREDIT FACILITIES

The Company has a revolving demand facility with a maximum borrowing of $1,600,000 of which $Nil was utilized at March 31, 2021 (2020 - $415,000). The facility is repayable on demand, bears a total interest rate at bank prime + 2% (4.45% at March 31, 2021) 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 4 x MRR (4 times the total Monthly Recurring Revenue) to a maximum borrowing of $1,600,000.

12. INCOME TAXES

The major components of income tax expense for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Current tax	$ -	$ -
Deferred tax	-	-
Total income tax expense	**$ -**	$ -

The impact of differences between the Company's reported income tax expense and the expense that would otherwise result from the application of statutory tax rates is as follows:

	2020	2019
Tax recovery at combined federal and provincial rate Canadian corporations of 26.5%	(345,196)	(312,552)
Non-deductible expenses	77,854	36,187
Unrecognized tax benefits on temporary differences	267,342	276,365
	-	-

The composition of unrecognized tax benefits are as follows:

	2020	2019
Scientific research and experimental development costs	149,551	127,246
Other reserves	43,885	-
Non-refundable investment tax credits	125,426	107,822
Intangible and depreciable assets	928,184	1,014,609
Non-capital losses and capital losses	7,226,036	7,397,835
	8,473,081	8,647,512

Ackroo Canada Inc. has undeducted scientific research and experimental development expenses for tax purposes of $564,345 which are available for carry forward to reduce future years' income for tax purposes. These expenses carry forward indefinitely.

(Expressed in Canadian Dollars except for share and per share amounts)

Ackroo Canada Inc. has investment tax credits for income tax purposes of $125,426 which can be used to offset future income taxes otherwise payable and expire starting 2033.

Ackroo Canada Inc. has deductible temporary differences for income tax purposes of $928,184 which can be used to offset future income taxes otherwise payable and do not expire.

Ackroo Inc. and Ackroo Canada Inc. have unused non-capital losses of $166,238 and $2,734,143 respectively, which may be carried forward and applied to reduce taxable income of future years. The losses are available for a limited time only and expire as follows:

	Ackroo Inc	3916715 Canada Inc	Ackroo Canada Inc. (Used)	Ackroo Canada Inc
2040				
2039	1,387			-
2038	18,624			-
2037	19,572			812,938
2036	19,703			984,964
2035	106,952			936,241
	166,238	-	-	2,734,143

The Company has not recognized the future tax benefit of these losses and tax credits. There are additional non-capital losses carried forward that occurred prior to 2011 while the Company was operating in a different business.

13. 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

	2021	2020
Common - 107,662,269 shares (2020 - 77,148,269 shares)	$ 18,261,908	$ 15,408,076

During the three-months ended March 31, 2021, 2,225,000 options were exercised by employees and executives of the Company for total proceeds of $314,500 and 2,849,000 warrants were exercised by warrant holders for total proceeds of $284,900.

(Expressed in Canadian Dollars except for share and per share amounts)

(c) Outstanding warrants

At the three-months ended March 31, 2021, a summary of the Company's warrant activity is as follows:

	Number of warrants	Weighted Average Exercise Price
Balance at December 31, 2018	**10,675,364**	**$0.100**
Warrants expired	-	**$0.000**
Warrants exercised	(300,000)	**$0.100**
Warrants issued	-	**$0.000**
Balance at December 31, 2019	**10,375,364**	**$0.100**
Warrants expired	-	**$0.000**
Warrants exercised	(40,000)	**$0.100**
Warrants issued	25,000,000	**$0.180**
Balance at December 31, 2020	**35,335,364**	**$0.157**
Warrants expired	-	**$0.000**
Warrants exercised	(2,849,000)	**$0.100**
Warrants issued	-	**$0.000**
Balance at March 31, 2021	**32,486,364**	**$0.162**

In August of 2019, 300,000 warrants were exercised by shareholders and executives of the Company for total proceeds of $30,000.

In December of 2020, 40,000 warrants were exercised by a warrant holder for total proceeds of $4,000.

During the three-months ended March 31, 2021, 2,849,000 warrants were exercised by warrant holders for total proceeds of $284,900.

(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 107,662,269 (2020 – 77,148,269) common shares outstanding, which means that up to 10,766,227 (2020 – 7,714,827) of the Company's common shares could be reserved for issuance upon the exercise of stock options.

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.

The Company issued 300,000 options to new employees on April 11, 2019 at an exercise price of $0.115, vesting immediately with a 3-year term. On May 16, 2019, a new employee exercised a portion of the recent issuance by exercising 47,826 options at a price of $0.115.

The Company issued 1,000,000 options to new employees, executives and board members on August 6, 2019 at an exercise price of $0.120, vesting immediately with a 3-year term. In August of 2019 175,000 options were exercised by an employee and a board member.

During the year-ended December 31, 2019, 2,009,600 options expired or were cancelled with an average weighted price of $0.201.

The Company issued 1,875,000 options on January 24, 2020, at an exercise price of $0.160 vesting immediately with a 3-year term. 540,000 options were expired or were cancelled at an average weighted price of $0.161 and 588,043 options were exercised at an average weighted price of $0.111.

The Company issued 700,000 options to new employees on May 12, 2020 at an exercise price of $0.120, vesting immediately with a 3-year term. During the three-months ended June 30, 2020, 720,000 options expired or were cancelled at an average weighted price of $.0.146.

The Company issued 300,000 options on October 8, 2020, at exercise price of $0.110 vesting immediately with a 3-year term. 400,000 options expired with an exercise price of $0.12, 300,000 options were cancelled at a weighted average exercise price of $0.147 and 400,000 options were exercised at an exercise price of $0.12.

The Company issued 5,275,000 options on January 20, 2021 at exercise price of $0.225 with a 3-year term and vesting over 2-years with 50% of the options vested at the end of year 1 and the remaining 50% of the options vested at the end of year 2. In addition, 2,225,000 options were exercised at a weighted average exercise price of $0.141 and 1,000,000 options were cancelled or expired at a weighted average exercise price of $0.148.

The fair value of the options issued in the three-months ended March 31, 2021, totalled $61,498 (2020 - $200,092). The fair value of the options was calculated using the Black-Scholes model using a weighted average risk-free interest rate of 0.20%, weighted average volatility of 85.12%, expected life of 1-3 years and 0% dividend yield.

(Expressed in Canadian Dollars except for share and per share amounts)

At March 31, 2021, a summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2018	**7,394,600**	**$0.154**
ESOP Options Granted	1,300,000	$0.119
ESOP Expired/Cancelled	(2,009,600)	$0.201
Exercised	(222,826)	$0.101
Balance, December 31, 2019	**6,462,174**	**$0.133**
ESOP Options Granted	2,875,000	$0.145
ESOP Expired/Cancelled	(1,960,000)	$0.144
Exercised	(988,043)	$0.115
Balance, December 31, 2020	**6,389,131**	**$0.138**
ESOP Options Granted	5,275,000	$0.225
ESOP Expired/Cancelled	(1,000,000)	$0.148
Exercised	(2,225,000)	$0.141
Balance, March 31, 2021	**8,439,131**	**$0.190**

At March 31, 2021 and 2020, a summary of stock options outstanding and exercisable are as follows:

2021

Grant Date	# of Options Outstanding	# of Options Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life (years)
May 2, 2018	125,000	125,000	$0.075	May 2, 2021	0.09
December 14, 2018	200,000	200,000	$0.100	December 14, 2021	0.71
April 11, 2019	139,131	139,131	$0.115	April 11, 2022	1.03
August 6, 2019	600,000	600,000	$0.120	August 6, 2022	1.35
January 24, 2020	1,300,000	1,300,000	$0.160	January 24, 2023	1.82
May 12, 2020	500,000	500,000	$0.120	May 12, 2023	2.12
October 8, 2020	300,000	300,000	$0.110	October 8, 2023	2.52
January 20, 2021	5,275,000	0	$0.225	January 20, 2024	2.81
March 31, 2021	**8,439,131**	**3,164,131**	**$0.190**		

2020

Grant Date	# of Options Outstanding	# of Options Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life (years)
April 12, 2017	470,000	470,000	$0.155	April 12, 2020	0.03
December 13, 2017	1,000,000	1,000,000	$0.120	December 13, 2020	0.70
January 11, 2018	200,000	200,000	$0.110	January 11, 2021	0.78
January 11, 2018	2,300,000	2,300,000	$0.150	January 11, 2021	0.78
May 2, 2018	225,000	225,000	$0.075	May 2, 2021	1.09
December 14, 2018	200,000	200,000	$0.100	December 14, 2021	1.71
April 11, 2019	139,131	139,131	$0.115	April 11, 2022	2.03
August 6, 2019	800,000	800,000	$0.120	August 6, 2022	2.35
January 24, 2020	1,875,000	1,875,000	$0.160	January 24, 2023	2.82
March 31, 2020	**7,209,131**	**7,209,131**	**$0.140**		

(Expressed in Canadian Dollars except for share and per share amounts)

14. Commitments

The Company has entered into a lease for office space which commenced October 1, 2019 at an estimated monthly cost of $19,036 for a term of 10 years. This lease resulted in a Right of use leased asset – office space and related lease liability on lease commencement on October 1, 2019.

The Company has also entered into a lease for office furniture which commenced October 1, 2019 at an estimated monthly cost of $2,830 for a term of 3 years. This lease resulted in a Right of use leased asset – furniture and related lease liability on lease commencement on October 1, 2019.

15. Related party transactions

(a) Compensation of key management personnel

The remuneration of key management personnel of the Company during the three-months ended March 31, 2021 and 2020 was as follows:

	March 31, 2021	March 31, 2020
Salaries, incentives / short-term benefits	123,004	120,590
Share based compensation	30,312	74,701
	153,316	195,291

(b) Related party transactions

On September 1, 2018, the Company entered into an agreement with a member of the management team to consolidate two amounts 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. On June 1, 2020, a revised agreement was signed to increase the due from related party by $134,980 for a total balance of $300,000. The terms of the agreement were modified to have the maturity date, and payment due on or before, June 1, 2022. Simple interest will accrue on the indebtedness at a rate of 2% per annum and shall be payable annually. As of March 31, 2021, the balance was $300,000.

The Company entered into consulting agreements with directors and officers resulting in expense in the three-months ended March 31, 2021 and 2020 of $3,662 and $11,184. As at March 31, 2021 $3,662 was unpaid and included in accounts payable and accrued liabilities (2020 - $11,184).

(c) Segmented information

The Company has not established discrete operating or geographic segments. Financial information is only available at the total company level, is not segmented and the chief operating decision maker, being the Chief Executive Officer, makes decisions at a total company level. An immaterial amount of reported revenue is derived outside of Canada and geographic areas outside of Canada are not managed separately.

16. 2020 - COVID 19

Like most businesses, Ackroo felt the disruption of COVID-19 during the 2020 fiscal year. We experienced some delays in payments from our customers (which were subsequently paid and brought current), the cancellation of some accounts due to closure and the slight decrease in the sales of consumables due to decreased in store traffic. In addition, we had to deal with remote staff and the impact on corporate culture, but all in all, COVID-19 had an immaterial financial impact on the performance of the business in 2020.

17. Subsequent events

Ongoing COVID 19

Since December 31, 2020, the spread of COVID-19 has continued to severely impact many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the three-months ended March 31, 2021 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.

Exercise of options

As of May 26, 2021 there have been 150,000 options exercised by employees of the Company at an average weighted exercise price of $0.153 for total proceeds of $23,000.

Exercise of warrants

As of May 26, 2021 there have 2,575,000 warrants exercised at a price of $0.100 for total proceeds of $257,500.

Warrant Acceleration

Under the terms of the share purchase warrants (the “ Warrants ”) issued by the Company in connection with a non-brokered private placement completed on July 5, 2017, in the event that the closing price of the common shares of the Company on the TSX Venture Exchange is equal to or greater than $0.20 for a period of no fewer than thirty consecutive trading days, the Company is permitted to accelerate the expiry date of the Warrants to a date that is ninety calendar days from the date notice of such acceleration is publicly announced. The acceleration trigger has been met as of market close on March 24, 2021, and the Company has elected to accelerate the Warrant expiry date to June 23, 2021. Any Warrants that have not been exercised by 4:00 p.m. (Toronto time) on June 23, 2021, will be automatically cancelled, and of no further force or effect.