

**ACKROO INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022**

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Dated: July 28, 2022

**OVERVIEW**

Ackroo Inc. ("Ackroo" or the "Company" or "We" or "Our") is a public company and its shares are listed on the TSX Venture Exchange (TSX-V:AKR) and OTC Markets (OTC: AKRFF). The Company exists under the Canada Business Corporations Act and 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.

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of the Company for the three and six months ended June 30, 2022 and is prepared as of July 28, 2022. This MD&A should be read in conjunction with the Company's Consolidated Financial Statements as at and for the year ended June 30, 2022 and December 31, 2021, and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") (collectively referred to as the "Financial Statements"), which are available on [www.sedar.com](http://www.sedar.com). Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS. The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the years covered by these filings, and these Financial Statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented in these filings. The Board of Directors approves the Financial Statements and MD&A and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

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

**APPROVAL**

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

**FORWARD-LOOKING INFORMATION**

This MD&A includes "forward-looking statements", within the meaning of applicable Canadian securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

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- The successful outcome of negotiations to acquire channel partners
- Estimated future sales
- Research and development costs
- The Company's strategies and objectives
- The Company's ability to maintain operating expense levels
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company
- The availability of qualified sales and operations employees
- General business and economic conditions
- The Company's ability to drive economies of scale
- Future financing arrangements

Readers are cautioned that the foregoing lists of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. The forward-looking statements contained in this document are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. This cautionary statement expressly qualifies the forward-looking statements.

#### **OUTLOOK**

The Company's efforts are focused on selling its cloud-based loyalty marketing platform, reselling payment (debit and credit services) and selling niche point of sale solutions into automotive, petroleum, hospitality and retail business of all sizes. Ackroo has developed solutions that are robust, easy to use, and affordable for all merchants. Physical and digital, in-store and online, from single location mom and pops to large multi-location organizations, the Ackroo platforms and services are built to support the growing engagement marketing, financial and operational needs of these growing business segments.

Via a SaaS based business model Ackroo charges their merchants:

- a) A one-time setup fee to deploy the technology and train customers
- b) Monthly recurring fees to process, support and further develop the technology
- c) On-going one-time fees for items like cards/collateral, custom development and marketing services.

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

#### **Key Performance Indicators**

We monitor the following key performance indicators to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. These key performance indicators are also used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors, and other interested parties frequently use industry metrics in the evaluation of issuers. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

Locations. "Location" means a billing customer location for which the term of services has not ended, or with which we are negotiating a renewal contract. A single unique customer can have multiple Customer Locations including physical and eCommerce sites. We believe that our ability to increase the number of Customer

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Locations served by our platforms is an indicator of our success in terms of market penetration and growth of our business. As at June 30, 2022, we had approximately 5,000 locations respectively.

Monthly Recurring Revenue “MRR” (or Annual Recurring Revenue “ARR”): MRR means the total dollar value of monthly revenue processed (ARR on an annual basis) through our cloud-based SaaS platforms in the period, net of refunds, inclusive of shipping and handling, duty and value-added taxes. We believe MRR is an indicator of the success of our customers and the strength of our platforms.

Average MRR/location means the total MRR divided by the number of locations.

One Time Revenue or “OTR”: OTR means the total dollar value of product and other one-time revenue processed through our cloud-based SaaS platforms in the period, net of refunds, inclusive of shipping and handling, duty and value-added taxes. We believe OTR is an indicator of the success of our customers and the strength of our platforms.

Gross Margin means the difference between total Sales and total Cost of Sales as set out in the Consolidated Statement of Loss and Comprehensive Loss.

“MKTG platform clients”, “PAY services clients” and “POS platform clients” includes clients on the Ackroo Anywhere Platform (including some with multiple locations), clients for who payments are processed through either the Global Payments or Fiserv payments systems and Point-Of-Sale clients that use the GG Golf or IDMS POS solutions, respectively.

**Non-IFRS Measures and Reconciliation of Non-IFRS Measures**

The information presented within this MD&A includes certain financial measures such as “Adjusted EBITDA”, which are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

**Adjusted EBITDA**

Adjusted EBITDA is defined as net profit (loss) excluding interest, taxes, depreciation and amortization, or EBITDA, as adjusted for share-based compensation and related expenses and foreign exchange gains and losses.

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The following table reconciles net income (loss) to Adjusted EBITDA for the periods indicated:

	Six months ended June 30, 2022	Six months ended June 30, 2021	Three months ended June 30, 2022	Three months ended June 30, 2021
<b>Net Loss before Income Taxes</b>	<b>(857,861)</b>	<b>(1,380,643)</b>	<b>(382,356)</b>	<b>(727,413)</b>
add: Share-based compensation expense	177,672	141,445	80,896	79,947
add: Amortization of intangible assets	888,210	821,811	444,106	420,053
add: Amortization of property and equipment	147,491	176,311	73,823	100,959
add: Interest expense	181,760	294,512	95,838	171,480
<b>Adjusted EBITDA Income/(Loss)</b>	<b>537,272</b>	<b>53,436</b>	<b>312,307</b>	<b>45,026</b>

**Summary of Factors Affecting Our Performance**

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose challenges, some of which are discussed below and are more fully described in the “Risk Factors” section of our most recent MD+A as well as on the Company’s issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**Market adoption of our platform**

We intend to continue to drive adoption of our commerce-enabling platform by scaling our solutions to meet the needs of both new and existing customers of all types and sizes. We believe that there is significant potential to increase penetration of our total addressable market and attract new customers. We plan to do this by further developing our products and services as well as continuing to invest in marketing strategies tailored to attract new businesses to our platform, both in our existing geographies and new markets around the world. We also intend to selectively evaluate opportunities to offer our solutions to businesses operating in industry verticals that we do not currently serve. We plan to continue to invest in our platform to expand our customer base and drive market adoption and our operations may fluctuate as we make these investments.

**Cross-selling and up-selling with existing customers**

Our existing customers represent a significant opportunity to cross-sell and up-sell products and services with limited incremental sales and marketing expense. We use a “land and expand” approach, with many of our merchant-clients initially deploying our platform for a specific use case. Once they realize the benefits and wide functionality of our platform, they can expand the number of product offerings they subscribe to. We plan to continually invest in product development, and in sales and marketing, to add more solutions to our platform and to increase the usage and awareness of our solutions. Our future revenue growth and our ability to achieve and maintain profitability is dependent upon our ability to maintain existing customer relationships and to continue to expand our customers’ use of our comprehensive suite of our solutions.

**Scaling our sales and marketing team**

Our ability to achieve significant growth in future revenue will largely depend upon the effectiveness of our sales and marketing efforts, both domestically and internationally. The majority of our sales and marketing efforts are accomplished in-house, and we believe the strength of our sales and marketing team is critical to our success. We have invested and intend to continue to invest meaningfully in terms of expanding our sales force, and consequently, we anticipate that our headcount will continue to increase as a result of these investments.

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As of June 30, 2022, the table below represents the current YTD financial metrics for Ackroo as well as 2021 and 2020 metrics that relate to these fees: (Non-GAAP/IFRS measures):

	2020	2021	2022	Comments
Avg. MRR per loc	\$83	\$86	\$90	Growing
Avg. OTR per loc	\$16	\$15	\$10	Reducing
Avg Total rev per loc	\$99	\$101	\$100	Maintaining
Gross Margin	89%	88%	92%	Growing
% of revenue MKTG	92%	72%	71%	Changing
% of revenue PAY	7%	8%	8%	Maintaining
% of revenue POS	1%	20%	21%	Growing
% of revenue US based	7%	10%	10%	Maintaining
MRR to OTR Ratio	82%   18%	84   16%	86%   14%	Growing
Attrition	10%	9%	10%	Maintaining
Locations	5,000+	5,300+	5,000+	Maintaining
Approx. LTV (7 year)	\$9,316	\$9,484	\$9,400	Maintaining
Organic CAC	\$978	\$2,487*	\$1,741	Reducing
LTV to CAC Ratio	9 to 1	4 to 1	5 to 1	Improving

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

Average MRR = The average monthly recurring revenue from all active customers divided by the number of active customers.

Average OTR = The total annual amount of one-time revenue divided by the number of active customers divided by 12 for a monthly amount.

Average Total Revenue = The average monthly recurring + average monthly one-time revenue per location.

Approx. LTV = The approximate lifetime value is calculated based on a 7-year minimum lifespan. Total revenue per location x 84 + average initial setup costs of \$1,000

Organic CAC = The total cost of sales/marketing plus channel referral commissions plus \$100 per new location for administrative costs from on-boarding and training divided across the # of new locations added during the period. (Note: \* indicates anomaly of extra investment made in early 2021)

The Company’s AckrooMKTG platform provides merchants with three key interfaces for their business:

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

The Company’s AckrooPOS/GGGolf platform provides golf clubs with:

- 1) Tee-sheet, Lottery & tournament management
- 2) Handicapping
- 3) Integration to accounting and hospitality point of sale options

The Company’s AckrooPOS/InterActive DMS platform provides used car & boat dealers with:

- 1) Full operational management
- 2) An integrated website offering
- 3) Integration to over fifty 3<sup>rd</sup> party integration partners

Ackroo also provides their customers with important marketing and payment services:

1. Marketing services include email and direct mail marketing as well as design.

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2. Payment services include credit and debit card processing services to provide any merchant that is leveraging the Ackroo platform the ability to get the markets lowest payment rates via our partners at Fiserv and Global Payments.

The Company acquires their customers through three distinct channels:

1. Via merger and acquisition of competitive and complimentary companies.
2. Via selected integrated point of sale (Organizations that sell debit and credit processing or point of sale software), banks, marketing firms and merchant related associations.
3. Via direct sales efforts including customer referrals, vertical market approaches etc.

It is through these channels that the Company now supports 1,900 customers and 5,000 + locations across North America.

During the period ended June 30, 2022, the Company continued to execute on their growth plans while also advancing their technology and operations. Some of the highlights of the Company's efforts during the year include:

- **Increased revenues by 8%** over Q2 2021 and **14%** over H1 2021
- **Increased recurring revenues by 8%** over Q2 2021 and **17%** over H1 2021
- **Increased EBITDA by 594%** over Q2 2021 and **905%** over H1 2021.
- **Increased EBITDA as a % of revenue by 17%** over Q2 2021 and is now **17%** year to date.
- **Delivered the company's 18<sup>th</sup> consecutive EBITDA positive** quarter.
- **AckrooPOS and AckrooPAY revenues increased** over Q2 2021
- **Achieved a record 95% gross margin for the business**
- **Added 53 new customers and 123 locations** through organic sales
- **Continued normalization of the GGGolf** business while increasing ARR
- **Continued normalization of the IDMS** business while increasing the ARR
- **Completed migrations** of acquired customers to our AKR3 **MKTG platform**
- **Continued to manage and grow the Company's M&A funnel** of over 20 active opportunities representing over \$65M of ARR.

The Company materially increased its recurring revenues year over year while also reducing overall costs, resulting in a cash flow positive quarter.

The Company delivered a significant increase in EBITDA both in dollars and as a percentage of revenues due to growth and continued financial discipline.

The product team stabilized and reduced hosting costs across all platforms to help further contribute to future gross margins and earnings for the business.

The sales and marketing teams achieved a 35% closing ratio on all qualified leads created and closed by the business development team while continuing to build a larger opportunity funnel that now includes 44 different brands and almost \$200k of MRR opportunity for the company.

The operations team continued their project work to simplify and optimize processes internally and externally via new tools with the full launch of our self-serve card design and ordering portal.

The finance team successfully managed margins and cash to help us achieve a record 95% gross profit margin while also managing the on-going implementation of a new Netsuite ERP system.

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The Company has already generated more positive EBITDA in the first half of 2022 than they did in all of 2021 with more growth and more cash management to come. As interest rates rise and as more business go up for sale cash management becomes an important part of the Company's go forward strategy. Ackroo continues to maintain their financial discipline to be well positioned for when the right opportunities present themselves.

#### SELECTED FINANCIAL INFORMATION

	For the six-months ended June 30, 2022	For the six-months ended June 30, 2021	For the six-months ended June 30, 2020
Total Revenues	\$ 3,139,992	\$ 2,753,647	\$ 2,926,496
Loss and comprehensive loss	(857,861)	(1,380,643)	(993,981)
Per share - basic and diluted	(0.007)	(0.013)	(0.013)
Total current assets	1,387,679	2,158,742	956,523
Total assets	7,984,891	10,725,233	8,386,805
Total current liabilities	1,193,425	2,388,321	1,809,393
Total long-term financial liabilities	4,391,197	4,363,827	5,535,241
Cash	775,172	1,516,291	305,835
Total equity	2,400,269	3,973,085	1,042,171

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

#### Operations:

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

#### SUMMARY OF QUARTERLY RESULTS

	Quarter Ended June 30, 2022	Quarter Ended March 31, 2022	Quarter Ended December 31, 2021	Quarter Ended September 30, 2021
Total Revenues	\$ 1,583,497	\$ 1,556,495	\$ 1,656,775	\$ 1,567,121
Loss and comprehensive loss	(382,356)	(475,505)	(707,337)	(575,380)
Basic and diluted loss per share	(0.003)	(0.004)	(0.006)	(0.005)
	Quarter Ended June 30, 2021	Quarter Ended March 31, 2020	Quarter Ended December 31, 2020	Quarter Ended September 30, 2020
Total Revenues	\$ 1,469,357	\$ 1,284,289	\$ 1,703,151	\$ 1,417,929
Loss and comprehensive loss	(727,413)	(653,233)	79,007	(387,652)
Basic and diluted loss per share	(0.007)	(0.006)	0.002	(0.005)

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**RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

The Company is focused on increasing revenues, managing operating costs and driving shareholder value.

The following analysis of the Company's operating results for the three and six months ended June 30, 2022 and 2021 are as follows:

**Revenue**

**Revenues** for the three and six months ended June 30, 2022 were \$1,583,497 and \$3,139,992 respectively compared to \$1,469,357 and \$2,753,647 for the same period in 2021, including a \$97,054 or 8% increase for the three months and a \$396,072 or 17% increase for the six months in recurring subscription based revenue (2021: Three months: \$1,250,299 Six months: \$2,304,768) The revenue increase for the three and six months ended June 30, 2022 was primarily due to the acquisitions of IDMS, GGGolf and an increase in payment fees. The Company also recognized \$61,481 of deferred revenue related to setup fees from previous years.

**Expenses**

**Cost of goods sold** for the three and six months ended June 30, 2022, was \$86,781, and \$249,640 (gross margin 95% and 92% respectively) compared to \$173,988 and \$334,583 (gross margin 88% and 88%) respectively for the three and six months ended June 30, 2021. The Company's margins improved due to a significant increase in MRR and an increase in the mix of products sold with higher profit margins as well as a reduction in hosting costs.

**Amortization of property and equipment** for the three and six months ended June 30, 2022 were \$73,823 and \$147,491 respectively. (2021: Three months: \$100,959; Six months: \$176,311). This amortization relates to computer equipment, furniture, fixtures and the amortization of leases as per IFRS 16.

**Amortization of intangible assets** for the three and six months ended June 30, 2022 were \$444,106 and \$888,210 respectively (2021: Three months: \$420,053; Six months: \$821,811). This amortization relates to amortization of acquired and self-created assets.

**Administrative expense** for the three and six months ended June 30, 2022 and 2021 were \$703,599 and \$1,319,292 respectively. (2021: Three months: \$545,043; Six months: \$1,032,781) Administrative expenses increased primarily due to investments in a new ERP and CRM systems.

**Research expense** for the three and six months ended June 30, 2022 were \$291,523 and \$608,770 respectively. (2021: Three months: \$384,220; Six months: \$724,540)

**Sales and marketing expense** for the three and six months ended June 30, 2022 were \$193,806 and \$428,996 respectively. (2021: Three months: \$318,144; Six months: \$608,239)

**Share based compensation expense** for the three and six months ended June 30, 2022 were \$80,896 and \$177,672 respectively. (2021: Three months: \$79,947; Six months: \$141,445). Stock based compensation expenses during the three and six months ended June 30, 2022 increased due to the issuance of 900,000 stock options in January 2022 and 1,000,000 stock options on June 8, 2022 all which vest over a 2-year period.

**Interest & amortization of deferred financing charges expense** for the three and six months ended June 30, 2022, was \$95,838 and \$181,760 respectively. (2021: Three months: \$171,480; Six months: \$294,512). Interest expense reflects interest incurred on the operating line of credit, BNA debt and BDC loan.



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**Net Loss and Comprehensive Loss**

**Net loss and comprehensive loss** for the three and six months ended June 30, 2022 were \$382,356 and \$857,861 respectively. (2021: Three months: \$727,413; Six months: \$1,380,643).

**FINANCIAL INSTRUMENTS**

Fair value of financial instruments

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

Risk Management

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

(a) Market risk

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

*Interest rate risk*

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

*Currency risk*

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

(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.

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The aging of accounts receivable balances at June 30, 2022 are as follows:

	\$
Not past due	959
16 - 30 days	73,376
31 - 60 days	96,093
61 - 90 days	59,116
Greater than 90 days	108,516
	<u>338,060</u>
	\$
Trade accounts receivable before allowances	338,060
Less allowances for doubtful accounts	-
Other Receivables	213,504
Total Accounts Receivables	<u>551,564</u>

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 June 30, 2022, the allowance for doubtful accounts amounted to \$Nil (2021 - \$Nil). At June 30, 2022, there was no customers that represented greater than 10% of the current total accounts receivable.

(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.

**LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2022, the Company has a deficit of \$19,840,398. The Company has historically financed its operations and met its capital requirements primarily through the sale of capital stock by way of private placement, exercise of stock options, debt, and the exercise of warrants issued.

The Company’s operating activities for the six months ended June 30, 2022 and 2021 generated cash of \$203,795 and consumed \$343,641 respectively.

The investing activities for the six months ended June 30, 2022 and 2021 consumed cash of \$8,380 and \$940,413 respectively. The resulting cash balances were \$775,172 and \$1,516,291 respectively.

The Company has positive working capital of \$194,256 as at June 30, 2022 as compared to working capital of \$321,537 as at December 31, 2021.

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<b>Contractual obligations</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>2 - 3 years</b>	<b>4 - 5 years</b>	<b>After 5 years</b>
Debt	3,400,000	400,000	600,000	600,000	1,800,000
Operating leases	1,640,449	217,146	513,129	542,494	367,680
<b>Total contractual obligations</b>	<b>5,040,449</b>	<b>617,146</b>	<b>1,113,129</b>	<b>1,142,494</b>	<b>2,167,680</b>

The Company’s consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown.

**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**

As of June 30, 2022 there were 115,748,633 (149,473,633 fully diluted) common shares issued and outstanding.

	<u>2022</u>	<u>2021</u>
Common - 115,748,633 shares (December 2021 - 115,748,633 shares)	\$ 19,518,697	\$ 19,518,697

**OTHER 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, and subsequently extended to August 1. Simple interest will accrue on the indebtedness at a rate of 2% per annum and shall be payable annually. As of June 30, 2022, the balance was \$300,000.

The Company entered into consulting agreements with directors and officers resulting in expense in the three months ending June 30, 2022 and 2021 of \$43,583 and \$11,648. As at June 30, 2022 \$Nil was unpaid and included in accounts payable and accrued liabilities (June 30, 2021 - \$10,473).

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**ACQUISITIONS**

**Business Combination**

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	<u>20,000</u>
	<u>\$ 136,263</u>

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	<u>\$ 822,000</u>
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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.

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Fair value of net assets acquired is as follows:

Customer contracts	\$	977,000
Goodwill arising on acquisition		365,000
Brand		59,000
IP		<u>301,000</u>
	\$	<u>1,702,000</u>

Interactive DMS

On May 31, 2021, the Company acquired certain assets from Valsoft Corporation relating to the InterActive DMS ("IDMS"). IDMS cloud-based and on-premises dealer management software and web solutions to independent car, motorcycle and boat dealers across the United States. Under the terms of the acquisition, Ackroo acquired all customer contracts and related IP adding over 150 clients. In consideration for the acquisition, the Company has paid \$600,000 on closing and made a final \$300,000 payment less pre-paid adjustments on September 2, 2021.

Fair value of net assets acquired is as follows:

Customer contracts	\$	336,000
Goodwill arising on acquisition		391,000
Brand		12,000
IP		<u>161,000</u>
	\$	<u>900,000</u>

**RISKS AND UNCERTAINTIES**

**The Ability to Manage Growth**

Should the Company be successful in its efforts to acquire customers it will experience significant growth in operations. If this occurs management anticipates that additional expansion will be required in order to continue development. Any expansion of the Company's business would place further demands on its management, operational capacity and financial resources. The failure to manage growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

**Possible Dilution to Present and Prospective Shareholders**

The Company's plan of operation, in part, contemplates the further issuance of securities of the Company and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

**Dependence of Key Personnel**

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term.

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**Lack of Trading**

The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

**Volatility of Share Price**

Market prices for shares of TSX Venture Exchange companies are often volatile. Factors such as announcements of financial results, and other factors could have a significant effect on the price of the Company's shares.

**Trends and Uncertainties**

The Company's ability to generate revenues in the future is dependent on its ability to successfully acquire channel partners, customers and create an infrastructure to economically manage any resulting growth in operations.

**Future Operations**

The Company anticipates that it will have positive cash flows from operations in the future however there is no assurance of that. In addition, the Company's operating results in the future may be subject to significant fluctuations due to many factors not within our control, such as the unpredictability of when customers will place orders, the size of customers' orders, the demand for the Company's platform and solutions, the level of competition and general economic conditions. The Company has historically financed its operations and met its capital requirements primarily through the sale of capital stock by way of private placement, exercise of stock options, debt, and the exercise of warrants issued and will continue to do so when necessary to ensure the liquidity of the business.

**Revenue concentration**

For the three-months ended June 30, 2022, there were no customers that represented more than 10% of total revenue.

**CRITICAL ACCOUNTING ESTIMATES**

There have been no significant changes to any accounting estimates as disclosed in the Company's most recent audited Financial Statements as at the year ended December 31, 2021.

**SIGNIFICANT ACCOUNTING POLICIES**

There have been no significant changes to any significant accounting policies as disclosed in the Company's most recent Financial Statements as at the year ended December 31, 2021.

**Significant accounting judgments, estimates and assumptions**

There have been no significant changes to any significant accounting judgments, estimates and assumptions as disclosed in the Company's most recent audited Financial Statements as at the year ended December 31, 2021.

**New accounting standards**

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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**Standards issued but not effective**

Classification of liabilities as current or non-current (Amendments to IAS 1)

In January 2020, IASB issued Classification of Liabilities as "Current" or "Non-current", which amends IAS 1. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

**Cost of Fulfilling a contract (Amendments to IAS 37)**

In May 2020, amendments to IAS 37, clarified which costs should be included in determining the cost of fulfilling a contract when assessing whether a contract is onerous. In assessing whether a contract is onerous, cost of fulfilling a contract comprise both of (i) incremental costs and (ii) an allocation of other direct costs. The amendments are effective for annual periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. Early adoption is permitted. The Company is still assessing the impact of adopting these amendments on its financial statements

**SUBSEQUENT EVENTS**

**Continued Impact of COVID-19 Global Pandemic**

Throughout the COVID-19 pandemic, the Company has been closely monitoring all related developments and managing any potential impact on the business. Due to the uncertainty surrounding the duration and potential outcomes of the COVID-19 pandemic, and the unpredictable and continuously changing nature of the pandemic and related government responses, there is uncertainty associated with the related assumptions, expectations, and estimates.

At this time, the long-term impact of the COVID 19 outbreak on the Company is unknown. Despite the global economy beginning to reopen, the extent of the impact will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the spread of the disease from current, new, and emerging variants of the virus which may have an impact on the overall global economy. Management continues to monitor the impact of the virus on the Company and our customer base. The COVID-19 virus continues to be a source of uncertainty with respect to managements significant judgments and estimates.

On July 1, 2022, the Company reached a settlement agreement concerning the consulting agreements related to the KESM acquisition in 2019. The outstanding balances due under the agreements totaling \$682,332 and US\$336,000 (\$432,970) were settled at \$648,000 and US\$315,000 (\$405,909), respectively, for a savings of \$34,332 and \$27,061, respectively. Repayment is in twelve equal monthly instalments beginning on July 15, 2022.

**ADDITIONAL INFORMATION**

Additional information relating to the Company is available at [sedar.com](http://sedar.com).