

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE-MONTHS ENDED MARCH 31, 2019

Dated: May 22, 2019

OVERVIEW

Ackroo Inc. ("Ackroo" or the "Company") is a public company and its shares are listed on the TSX Venture Exchange (TSX-V:AKR). The Company was originally incorporated under the laws of the Province of British Columbia and was continued under the laws of the Province of Alberta and subsequently continued federally under the Canada Business Corporations Act. The Company's head office is located at Suite 201 – 62 Steacie Drive, Ottawa, Ontario, Canada K2K 2A9 and records office at Suite 2200 – 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8.

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of the Company for the three-months ended March 31, 2019 and is prepared as at May 22, 2019. This MD&A should be read in conjunction with the Company's Consolidated Financial Statements as at and for the three-months ended March 31, 2019, and 2018, and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") (collectively referred to as the "Financial Statements"), which are available on www.sedar.com. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS. The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the 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.

CAUTIONARY NOTE REGARDING ON FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable Canadian securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks 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

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our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

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

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

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

OUTLOOK

The Company's efforts are focused on selling its cloud-based gift card & loyalty marketing platform into automotive, petroleum, hospitality and retail business of all sizes. Ackroo has developed a solution that is robust, easy to use, and affordable for all merchants. Physical and digital, in-store and online, from single location mom and pops to large multi-location organizations, the Ackroo platform is built to support the growing needs of these growing business segments.

Via a SaaS based business model Ackroo charges their merchants:

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

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

As of March 31, 2019, the below represents the current YTD financial metrics as well as 2018 and 2017 metrics that relate to these fees: (Non-GAAP/IFRS measures)

	2017	2018	2019	Comments
Avg. MRR per loc	\$72	\$72	\$70	Maintaining
Avg. New OTR	\$1,210	\$1,301	\$1,342	Maintaining
Avg. Ex OTR	\$1,190	\$1,179	\$1,229	Maintaining
GC vs LTY Product Mix	65% 35%	60% 40%	60% 40%	Improving
Mktg services clients	< 4%	< 5%	< 5%	Growing
Avg. Tx per month	350k+	400k+	450k+	Growing
MRR to OTR Ratio	62% 38%	73% 27%	77% 23%	Improving
Retention	96%	96%	98%	Maintaining
Locations	4,000+	4,200+	4,200+	Growing
Approx. LTV (7 year)	\$10,828	\$9,585	\$10,909	Maintaining
Organic CAC	\$1,255	\$979	\$949	Improving
LTV to Organic CAC	9 to 1	10 to 1	11 to 1	Improving
Inorganic CAC	< \$2,500	N/A	N/A	Maintaining
LTV to Inorganic CAC	4 to 1	N/A	N/A	Maintaining

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

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

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

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

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

Organic CAC = The total cost of sales/marketing including channel referral commissions plus some administrative costs from on-boarding and training divided across the # of new locations added during the period.

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

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

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

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

The Company acquires their customers through three distinct channels:

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

It is through these channels that the company now supports over 4,200 locations and growing via the various products and services the company provides.

During the quarter ended March 31st, 2019, the Company continued to execute on their growth plans while also advancing their technology and operations. Some of the highlights of the Company's efforts during the quarter include:

- **Increased subscription revenue by 5.5%** over Q1 2018
- **Fifth straight EBITDA positive quarter** with **\$71,497** in positive EBITDA. A 1% increase over Q1 2018.
- **Increased Gross Margin to 84%** during the period. A 3% increase over Q1 2018
- **Added 148 organic locations with attrition at less than 2%**
- Achieved **revenue per employee target of \$200k +** in Q1 2019 (21 staff = \$207k)
- Achieved **revenue per location target of \$1,000 +** in Q1 2019. (\$1,033)
- Increased **gift cards funded/sold by clients by 47% YoY**
- **Increase average monthly loyalty enrollments** into customer programs **by 150% YoY**
- **Continued product and operational segment focus & advancement** (Automotive, Petroleum, Hospitality, Retail)
- Maintained new customer deployment time **averages to be below 30 days**
- Continued both customer and channel marketing communication initiatives to **drive organic growth**
- **Current active M&A pipeline** has grown to more than **\$12M per annum**
- **Organic large account sales pipeline** in excess of **\$1M per annum**
- **Secured \$500k in debt capital** to support organic growth initiatives and relocation of staff to Hamilton ON.
- Balance of **KESM acquisition debt fully paid off**

The Company spent the bulk of Q1 on operational initiatives to position ourselves for inorganic and organic growth. The Company does plan to complete some M&A in 2019 so these initiatives to stabilize the platform and our general operations where critical.

To support future M&A initiatives the Company began a relationship with SOFII and is in discussions with other similar lenders. The Company was also able to renegotiate certain services agreements with suppliers and consultants reducing Ackroo's go forward operating cost in an effort to increase earnings.

We are very happy with the work done in Q1 to position us for a great 2019 ahead.

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SELECTED FINANCIAL INFORMATION

	For the three-months ended March 31, 2019	For the three-months ended March 31, 2018	For the three-months ended March 31, 2017
Total revenues	\$ 1,088,783	\$ 1,168,415	\$ 649,385
Loss and comprehensive loss	(193,425)	(337,995)	(388,443)
Per share - basic and diluted	(0.00)	(0.00)	(0.01)
Total current assets	433,039	372,295	388,362
Total assets	3,594,904	4,495,030	2,053,299
Total current liabilities	564,341	1,135,901	877,795
Total long-term financial liabilities	505,151	26,164	440,921
Cash	71,486	38,650	139,819
Total equity	2,525,412	3,332,965	734,583

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

Operations:

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

SUMMARY OF QUARTERLY RESULTS

	Quarter Ended March 31, 2019	Quarter Ended December 31, 2018	Quarter Ended September 30, 2018	Quarter Ended June 30, 2018
Total revenues	\$ 1,088,783	\$ 1,135,387	\$ 1,083,046	\$ 1,048,171
Loss and comprehensive loss	(193,425)	(258,408)	(328,987)	(141,434)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.00)
	Quarter Ended March 31, 2018	Quarter Ended December 31, 2017	Quarter Ended September 30, 2017	Quarter Ended June 30, 2017
Total revenues	\$ 1,168,415	\$ 814,121	\$ 622,867	\$ 651,457
Loss and comprehensive loss	(337,995)	(502,836)	(167,756)	(414,077)
Basic and diluted loss per share	(0.00)	(0.01)	(0.00)	(0.02)

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ANALYSIS OF THE SUMMARY ANNUAL AND QUARTERLY RESULTS:

The Company puts great focus on increasing revenues, managing operating costs and driving shareholder value. During the three-months ended March 31, 2019 the Company accomplished these goals by increasing margins and managing operating costs which drove basic and diluted loss per share to \$(0.00) from \$(0.00) in 2018.

RESULTS OF OPERATIONS FOR THE THREE-MONTHS ENDED MARCH 31, 2019

The following analysis of the Company's operating results for the three-months ended March 31, 2019 and includes a comparison against the three-months ended March 31, 2018.

Revenue

For the three-months ended March 31, 2019, revenues were \$1,088,783 compared to \$1,168,415 for the three-months ended March 31, 2018. The 7% year over year revenue decrease related to less one-time revenue being sold in Q1. We deployed less cards, collateral and marketing services than the year before however we already see one-time revenue orders back to normal levels in Q2 and we expect that will continue as the year progresses.

Expenses

Cost of goods sold for the three-months ended March 31, 2019 was \$175,361 (gross margin 83.9%) compared to \$226,939 (gross margin 80.6%) for the three-months ended March 31, 2018. The results show the Company was able to improve margins year over year by maintaining shipping and product costs through vendor management. In addition, Q1 has less one-time revenue resulting in lower COGS.

Amortization of property and equipment for the three-months ended March 31, 2019 was \$28,892 compared to \$3,828 for the three-months ended March 31, 2018. This depreciation relates to computer equipment, furniture, fixtures and now as of January 1, 2019, the depreciation of Leases as per IFRS 16. The amount relating to lease amortization for the three-months ended March 31, 2019 was \$26,571

Amortization of intangible assets for the three-months ended March 31, 2019 was \$226,435 compared to \$177,690 for the three-months ended March 31, 2018. This amortization relates to amortization of assets acquired from Dealer Rewards of Canada 2014 Inc., D1 Mobile Corp., Loyalint / Fidelint Platform (ORBO RÉCOMPENSES INC.), KESM Transactions Solutions Inc. & LoyalMark LLC.

Administrative expense for the three-months ended March 31, 2019 was \$527,978 compared to \$567,649 for the three-months ended March 31, 2018. The decrease in administrative expense relates to the reduction in consulting fees from the KESM / LoyalMark acquisition.

Research and development for the three-months ended March 31, 2019 was \$232,603 compared to \$199,214 for the three-months ended March 31, 2018. Costs year over year increased due to the hire of additional R&D staff.

Sales and marketing for the three-months ended March 31, 2019 was \$81,310 compared to \$102,627 for the three-months ended March 31, 2018. The decrease in expense relates to a marketing employee going on

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maternity leave. A replacement has been hired for Q2 coupled with marketing initiatives to expedite growth in the business.

Stock based compensation expense for the three-months ended March 31, 2019 was \$Nil as compared to \$217,000 for the three-months ended March 31, 2018. Stock based compensation expenses during the year related to employee incentives and compensation to Board members.

Interest expense for the three-months ended March 31, 2019 was \$9,595 compared to \$10,163 for the three-months ended March 31, 2018. Interest expense primarily reflects interest on the SOFII loan and the balance of debt paid on the KESM acquisition. Included in this amount is \$2,181 of interest expense on leases.

Loss from Operations

Net loss and comprehensive loss for the three-months ended March 31, 2019 was \$193,425 compared to \$337,995 for the three-months ended March 31, 2018. The net income and comprehensive income (excluding interest, taxes, amortization, stock-based compensation and unusual items) “Adjusted EBITDA*” for the three-months ended March 31, 2019 was a **gain of \$71,497** compared to the “Adjusted EBITDA* **gain of \$70,686** the three-months ended March 31, 2018. The three-months ended March 31, 2019 represents the **fifth consecutive positive “Adjusted EBITDA” quarter in a row for the Company** as the Company begins to realize the synergistic benefit of the KESM / LoyalMark acquisition and it’s organic growth strategy .

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
NET LOSS AND COMPREHENSIVE LOSS	(193,425)	(337,995)
add: Share-based compensation expense	-	217,000
add: Amortization of intangible assets	226,435	177,690
add: Amortization of property and equipment	28,892	3,828
add: Interest expense	9,595	10,163
Adjusted EBITDA Income/(Loss)	71,497	70,686

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.

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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 March 31, 2019 are as follows:

	Amounts Due	Collected within 30 days of period end	Remaining Aged Balance
1 - 30 days due	148,361	105,348	43,013
31 - 60 days due	4,563	3,036	1,527
61 - 90 days due	5,694	4,732	962
Greater than 90 days past due	5,968	4,673	1,295
	164,586	117,789	46,797

The aging of accounts receivable balances at March 31, 2018 are as follows:

	Amounts Due	Collected within 30 days of year end	Remaining Aged Balance
1 - 30 days due	275,021	176,249	67,844
31 - 60 days due	25,750	821	2,863
61 - 90 days due	3,814	-	1,950
Greater than 90 days past due	3,373	-	1,627
	307,958	177,070	74,284

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, 2019, the allowance for doubtful accounts amounted to \$Nil (2018 - \$Nil). As at March 31, 2019 there were two customers that each represented greater than 10% of the current total accounts receivable (19.3% and 11.6% respectively) 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.

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LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2019, the Company has a deficit of \$14,970,831 and no longer expects to incur cash losses in the development of its business. The Company has historically financed its operations and met its capital requirements primarily through the sale of capital stock by way of private placement, exercise of stock options, debt, and the exercise of warrants issued.

The Company’s operating activities for the three-months ended March 31, 2019 consumed cash of \$178,393 as compared to the three-months ended March 31, 2018 which contributed cash of \$175,423.

The operating, investing and financing activities for the three-months ended March 31, 2019 contributed cash of \$40,197 as compared to the three-months ended March 31, 2018 which contributed cash of \$5,137. The resulting cash balances were \$71,486 and \$38,650 as at the three-months ended March 31, 2019 and 2018 respectively.

The Company has negative working capital of \$131,302 (*\$99,415 of which is a result of current lease liability arising from the implementation of IFRS 16 - Leases*) as at the three-months ended March 31, 2019 as compared to negative working capital of \$763,606 as at the three-months ended March 31, 2018. The Company plans to organically increase its revenues in order support its working capital requirements, however, should revenue not be significantly increased, the Company will either pursue cost cutting measures and/or issue a private placement or secure debt financing in the Summer/Fall of 2019 to help assist in the servicing of its obligations for 2019.

The Company has future financial commitments under its office-operating leases in the amount of \$82,976 (2019), \$305,037 (2020), \$246,721 (2021), \$241,258 (2022) and \$248,332 (2023).

Contractual obligations	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
Debt	500,000	66,336	208,425	244,386	-
Operating leases	2,768,943	82,976	551,758	489,590	1,644,618
Total contractual obligations	3,268,943	149,313	760,183	733,976	1,644,618

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.

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CAPITAL STOCK

(a) Authorized share capital

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

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

(b) Issued and outstanding

	<u>2019</u>	<u>2018</u>
Common - 76,037,400 shares (2018 - 76,037,400 shares)	15,217,625	15,217,625

As of May 22, 2019, there were 76,037,400 (94,022,364 diluted) common shares issued and outstanding.

RELATED PARTY TRANSACTIONS

On September 1, 2018 the Company entered into an agreement with a member of the management team to consolidate the two amounts previously shown as “due from related party” into one consolidated promissory note representing \$165,020 with a maturity date, and payment due on or before, December 31, 2020. This is a non-cash transaction and the promissory note is non-interest bearing. As of March 31, 2019, the balance was \$165,020.

The Company entered into consulting agreements with directors and officers resulting in expense in the three-months ended March 31, 2019 and 2018 of \$10,681 and \$Nil respectively. As at March 31, 2019 \$10,681 was unpaid and included in accounts payable and accrued liabilities (2018 - \$Nil).

BUSINESS COMBINATION

Business Combination

KESM Transactions Solutions Inc. & LoyalMark LLC

On December 1, 2017 the Company completed the acquisition of certain software technologies and customer contracts from KESM Transactions Solutions Inc. & LoyalMark LLC which assets comprise the KESM/LoyalMark software platform. The acquisition is a business combination accounted for using the acquisition method in accordance with IFRS 3. Assets assumed in the acquisition have been recorded at their fair values as at the date of acquisition. The excess of the consideration transferred over the fair value of the assets acquired has been included in goodwill. The acquisition of the KESM/LoyalMark assets is expected to contribute to the profitability of the Company through synergies identified and expected to be realized in the elimination of redundant expenditures including staff and overheads. In determining the fair market value of the assets acquired, synergies are not factored in in order to assess a fair market participant value. As a result, goodwill was created which represents the synergistic benefits to be realized by the Company starting immediately following acquisition. In consideration for the assets, the Company issued 35,800,000 common shares, and paid cash

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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.

On February 28, 2019, Company renegotiated the consulting agreements related to the KESM acquisition to significantly lower the monthly consultation fees and extending 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
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	\$3,061,541
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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.

Lack of Trading

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

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Volatility of Share Price

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

Trends and Uncertainties

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

Future Operations

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

Revenue concentration

For the three-months ended March 31, 2019, there was one customer that represented 20.8% of total revenue. There was no other customer that represented more than 10% of revenue.

CRITICAL ACCOUNTING ESTIMATES

There have been no significant changes to any accounting estimates as disclosed in the Company's most recent interim Financial Statements as at and for the three-months ended March 31, 2019.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Accounting standards issued but not yet effective

None

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AS AT AND FOR THE THREE-MONTHS ENDED MARCH 31, 2019

Recently adopted accounting standards

IFRS 9 Financial Instruments

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

The adoption of IFRS 9 did not have a material impact on the consolidated financial statements of the Company.

IFRS 15 Revenue from Contracts with Customers

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

The adoption of IFRS 15 did not impact the Company's current revenue recognition policies or necessitate any material changes to its internal controls or data systems.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 which replaces IAS 17 for the accounting of leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16: changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. This standard was implemented January 1, 2019.

The adoption of IFRS 16 led to the recording of a Right of use leased asset – office space and a related lease liability of \$166,693.

SUBSEQUENT EVENTS

On April 10, 2019 the Company issued 300,000 options at an exercise price of \$0.115 for a period of 3 years which vest immediately to new employees.

On May 9, 2019, the Company signed a definitive agreement for Ackroo to acquire certain assets associated with Mobi724's DMBI business. The DMBI business is the IQ724 loyalty business that was purchased by Mobi724 in 2016 and generated \$1.9M of revenue in 2018 across several enterprise and SMB brands in automotive, retail and hospitality. The IQ724 loyalty business is expected to add \$700k-\$1M of positive EBITDA contribution to Ackroo once normalized and will help further expand Ackroo's marketing platform and services offering.

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ADDITIONAL INFORMATION

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