

Dated: April 25, 2023

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 year ended December 31, 2022 and is prepared as of April 25, 2022. This MD&A should be read in conjunction with the Company's Consolidated Financial Statements as at and for the year ended December 31, 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. 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:

- 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 Locations served by our platforms is an indicator of our success in terms of market penetration and growth of our business. As at December 31, 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 related expenses, foreign exchange gains and losses, and one-time anomalies (settlements etc.)

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

	Three months ended Dec 31, 2022	Three months ended Dec 31, 2021	Year ended Dec 31, 2022	Year ended Dec 31, 2021
NET LOSS AND COMPREHENSIVE LOSS	116,349	(695,305)	(2,036,940)	(2,663,363)
add: Share-based compensation expense	(811)	271,824	230,474	505,538
add: Amortization of intangible assets	246,723	456,408	1,378,398	1,751,624
add: Amortization of property and equipment	59,265	47,348	280,936	303,823
add: Interest expense	89,991	95,567	385,730	511,595
add: Consulting agreement settlement expense	-	-	1,164,978	-
Adjusted EBITDA Income/(Loss)	511,517	175,842	1,403,576	409,217
Adjusted EBITDA as a percentage of revenue	32.06%	10.61%	22.41%	6.85%

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 Annual Information Form, which can be found on the Company’s issuer profile on SEDAR at 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. 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.

As of December 31, 2022, the table below represents the current YTD financial metrics for Ackroo as well as 2021 and 2020 metrics that relate to these business categories: (Non-GAAP/IFRS measures)

	2020	2021	2022	Comments
Avg. MRR per loc	\$83	\$86	\$89	Growing
Avg. OTR per loc	\$16	\$15	\$15	Reducing
Avg Total rev per loc	\$99	\$101	\$104	Growing
Gross Margin	89%	88%	91%	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%	11%	Growing
MRR to OTR Ratio	82% 18%	84 16%	85% 15%	Growing
Approx. Location Attrition	10%	9%	10%	Maintaining
Approx. Locations	5,000	5,300	5,000	Maintaining
Approx. LTV (7 year)	\$9,316	\$9,484	\$9,736	Growing
Organic CAC	\$978	\$2,487	\$1,352	Reducing
LTV to CAC Ratio	9 to 1	4 to 1	7 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.

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

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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 3rd 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.
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 cold calling, SEO, customer/partner referrals, vertical market approaches etc.

It is through these channels that the Company now supports approximately 1,800 customers and 5,000 + locations across North America.

During the period ended December 31, 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 in 2022 include:

- **Increased total revenues by 5%** in 2022 vs. 2021
- **Increased recurring revenues by 7%** in 2022 vs. 2021
- **Increased adjusted EBITDA by 239%** in 2022 vs. 2021
- **Increased adjusted EBITDA as a % of revenue by 15%** in 2022 vs. 2021 (**22% vs. 7%**)
- **Delivered the company's 5th consecutive adjusted EBITDA positive** year.
- **Increased Gross Profit by 3%** in 2022 vs. 2021 (**91% vs. 88%**)
- **Added over 600 new customer locations** through new client adds and current clients expanding
- **Managed Revenue Per Employee** to exceed **\$250k** by year end
- **Generated \$996,379 of cash** during the period
- **Paid down \$970,644 of debt/liability** during the period while locking in a 7.5% interest rate with BDC
- **Signed the Company's 12th acquisition**
- **Continued to manage and grow the Company's M&A funnel** of over 20 active opportunities representing over \$65M of ARR.

The Company put great focus on earnings generation in order to better position themselves to pay down debts and use generated cash for future acquisitions. Those efforts resulted in the company tripling earnings as a percentage of revenue year over year allowing the company to make significant payment towards debts/liabilities in the business and to acquire their 12th acquisition to date.

The product and engineering teams continued the normalization of acquired POS assets both to simplify support requirements but also to position assets like GGGolf to be ready for potential divesture. The team completing more migrations of acquired AckrooMKTG clients and launched into beta Ackroo's new MarketingHUB which is an integrated marketing communications tool for email, text and in app messaging. This advancement not only

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enables Ackroo the ability to migrate the majority for the legacy customers off of platforms like WinWin and IQ but also helps advance Ackroo’s organic AckrooMKTG product to help acquire new merchants and upgrade current clients to this added feature set.

The sales and marketing teams achieved a 35% closing ratio on all qualified leads created and closed by the business development team adding over 400 new locations to the business. These teams transitioned their focus from selling to small mom and pop customers to larger multi-location clients for Ackroo. This shift is a major change that sales, marketing, client and customer support will be embracing further as we head into 2023.

The finance and operations teams successfully managed margins helping to increase the Company’s strong gross profit percentage while also helping analyze and manage our budget across the business to drive a great 22% of EBITDA as a percentage of revenue. Many cost savings initiatives were executed as well as revenue per employee management where we delivered a records \$250k + revenue per employee in 2022. The higher revenue per employee led to the business being able to extend pay raises to all staff at a time when inflation is very high and also helped increase profits considerably which is important for the long standing financial health of the business.

As the Company heads into 2023 the foundation laid across financial discipline, product and team evolution and simply tighter focus across many areas have the business poised for even greater success.

SELECTED FINANCIAL INFORMATION

	For the year ended December 31, 2022	For the year ended December 31, 2021	For the year ended December 31, 2020
Total Revenues	\$ 6,264,107	\$ 5,977,542	\$ 6,047,576
Loss and comprehensive loss	(2,036,940)	(2,663,363)	(1,302,626)
Per share - basic and diluted	(0.018)	(0.024)	(0.016)
Total current assets	1,811,875	1,328,354	2,572,437
Total assets	7,702,159	8,952,887	11,178,034
Total current liabilities	2,088,921	1,006,817	2,321,139
Total long-term financial liabilities	4,086,121	4,865,612	5,039,148
Cash	10,533	772,304	1,932,408
Total equity	1,527,117	3,080,458	3,817,747

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.

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SUMMARY OF QUARTERLY RESULTS

	Quarter Ended December 31, 2022	Quarter Ended September 30, 2022	Quarter Ended June 30, 2022	Quarter Ended March 31, 2022
Total Revenues	\$ 1,595,705	\$ 1,528,411	\$ 1,583,497	\$ 1,556,495
Loss and comprehensive loss	116,349	(1,295,428)	(382,356)	(475,505)
Basic and diluted loss/earnings per share	0.001	(0.011)	(0.003)	(0.004)
	Quarter Ended December 31, 2021	Quarter Ended September 30, 2021	Quarter Ended June 30, 2021	Quarter Ended March 31, 2020
Total Revenues	\$ 1,656,775	\$ 1,567,121	\$ 1,469,357	\$ 1,284,289
Loss and comprehensive loss	(707,337)	(575,380)	(727,413)	(653,233)
Basic and diluted loss per share	(0.006)	(0.005)	(0.007)	(0.006)

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 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 year ended December 31, 2022 and 2021 are as follows:

Revenue

Revenues for the years ended December 31, 2022 were \$6,264,107 compared to \$5,977,542 for the year ended December 31, 2021. Revenues for the three-months ended December 31 2022 were \$1,595,705 compared to \$1,656,773 for the three-months ended December 31, 2021. The 5% revenue increase for the year ended December 31, 2022 was due to the twelve month contribution of IDMS versus the seven month contribution in 2021 plus organic growth. The Company also recognized \$61,481 of deferred revenue related to setup fees from previous years. The 4% revenue decline for the three-months ended December 31, 2022, was due to a reduction in one-time purchases and a decline in customer locations compared to the three-months ended December 31st 2021.

Expenses

Cost of goods sold for the year ended December 31, 2022, was \$578,897, (gross margin 90.8%) compared to \$707,208 (gross margin 88.2%) for the year ended December 31, 2021. Cost of goods sold for the three-months ended December 31, 2022, was \$204,465, (gross margin 87.2%) compared to \$186,728 (gross margin 88.7%) for the three-months ended December 31, 2021. The Company's margins improved due to a significant increase in MRR as a percentage of total revenue, and an increase in products sold with higher profit margins as well as a reduction in hosting and related costs.

Amortization of property and equipment for the year and three-months ended December 31, 2022 were \$280,936 and \$59,265 respectively. (2021: Year: \$303,823; Three months: \$47,347). This amortization relates to computer equipment, furniture, fixtures and the amortization of leases as per IFRS 16.

Amortization of intangible assets for the year and three-months ended December 31, 2022 were \$1,378,398 and \$246,723 respectively. (2021: Year: \$1,751,624; Three months: \$456,408). This amortization relates to amortization of acquired and self-created assets.

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Administrative expense for the year and three-months ended December 31, 2022 were \$2,393,817 and \$511,599 respectively. (2021: Year: \$2,567,790; Three months: \$906,677). Administrative expenses decreased significantly overall due to a reduction in consulting agreements and human resource costs.

Research expense for the year and three-months ended December 31, 2022 were \$1,153,785 and \$238,595 respectively. (2021: Year: \$1,169,991; Three months: \$79,001).

Sales and marketing expense for the year and three-months ended December 31, 2022 were \$797,293 and \$168,069 respectively. (2021: Year: \$1,124,278; Three months: \$312,530). Sales and marketing expenses reduced significantly due to a reduction in human resource costs and marketing initiatives.

Consulting settlement expense for the year and three months ended December 31, 2022 were \$1,164,978 and \$Nil respectively. (2021: Three months: \$Nil; Nine months: \$Nil) This consulting settlement resulted from the closure of monthly consulting contracts in the amounts of \$16,246 CAD and \$8,000 USD with 46 months remaining. Payment will be made in 12 equal payments ending June 30, 2023. Prior to the settlement, the consulting contracts represented a cost of approximately \$320,000 per year, included in administrative expenses.

Share based compensation expense for the year and three months ended December 31, 2022 were \$230,474 and \$(811) respectively. (2021: Year: \$505,538; Three months: \$271,824). Stock based compensation expenses during the year and three months ended December 31, 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 and decreased due to the expiration and forfeiture of 4,264,131 stock options, 3,725,000 of which were not fully vested, during 2022.

Interest & amortization of deferred financing charges expense for the year and three months ended December 31, 2022, was \$368,133 and \$89,991 respectively. (2021: Year: \$511,595; Three months: \$107,606). Interest expense reflects interest incurred on the operating line of credit and BDC loan.

Net Loss and Comprehensive Loss

Net loss and comprehensive loss for the year and three months ended December 31, 2022 were \$2,036,940 and a profit of \$116,349 respectively. (2021: Year: \$2,663,363; Three months: \$707,343). The significant decrease in operating losses is due to an increase in revenue and a reduction in administrative, sales & marketing and amortization expenses while including a consulting settlement totaling \$1,164,978 on July 1, 2022. This agreement is being paid in twelve equal payment ending June 30, 2023. The significant gain in the three months ended December 31, 2022 over December 31, 2021 is due to a reduction in administrative, sales & marketing and amortization expenses.

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.

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(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.

The aging of accounts receivable balances at December 31, 2022 are as follows:

	\$
Not past due	27,801
16 - 30 days	88,327
31 - 60 days	37,373
61 - 90 days	26,194
Greater than 90 days	78,837
	<u>258,531</u>
	\$
Trade accounts receivable before allowances	258,531
Less allowances for doubtful accounts	-
Other Receivables	202,571
Total Accounts Receivables	<u>461,102</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 December 31, 2022, the allowance for doubtful accounts amounted

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to \$Nil (2021 - \$Nil). At December 31, 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 December 31, 2022, the Company has a deficit of \$20,806,642. 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 year ended December 31, 2022 and 2021 generated cash of \$996,379 less \$533,816 paid for consulting settlements for a net \$462,563 and \$29,123 respectively.

The investing activities for the year ended December 31, 2022 and 2021 consumed cash of \$1,285,967 and \$966,590 respectively. The resulting cash balances were \$10,533 and \$772,304 respectively.

The Company has negative working capital of \$277,046 as at December 31, 2022 as a result of the one time consulting settlement \$1,164,978 as compared to working capital of \$321,537 as at December 31, 2021.

Contractual obligations	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
Debt	3,000,000	231,031	2,768,969	0	0
Operating leases	1,549,089	173,720	397,076	469,789	508,504
Total contractual obligations	4,549,089	404,751	3,166,045	469,789	508,504

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 December 31, 2022 there were 121,373,633 (152,098,633 fully diluted) common shares issued and outstanding.

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	<u>2022</u>	<u>2021</u>
Common - 121,373,633 shares (December 2021 - 115,748,633 shares)	\$ 19,771,822	\$ 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 later extended to June 1, 2025. Simple interest will accrue on the indebtedness at a rate of 2% per annum and shall be payable annually. Interest Incurred between September 1, 2018 and June 30, 2022 was added to the loan amount. As of December 31, 2022, the balance was \$312,500.

The Company entered into consulting agreements with directors and officers resulting in expense in the years ended December 31, 2022 and 2021 of \$61,323 and \$38,441. As at December 31, 2022 \$Nil was unpaid and included in accounts payable and accrued liabilities (December 31, 2021 - \$Nil).

ACQUISITIONS

Business Combination

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>

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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.

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 year ended December 31, 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, 2022.

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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. The Company has determined that all products and services provided to its customers are dependent on its proprietary technology platforms and there are no separately identifiable promises related to products or services. 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, monthly fee's paid in advance and recognized in income over the term of the merchant agreement. There was additional, deferred revenue related to the GGGolf acquisition.

Cash and cash equivalents

The Company's policy is to present bank balances under cash and cash equivalent with balances that fluctuate frequently from being positive to overdrawn and undeposited funds on hand. Bank overdrafts are included in liabilities.

Inventory

Inventory consists of components such as cards and card readers and is recorded at the lower of cost and net

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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:

Financial Assets

Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Due from related party	Amortized cost

Financial Liabilities

Accounts payable and accrued liabilities	Amortized cost
Leases – IFRS 16	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

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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.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

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.

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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, brand, 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 a straight-line basis over the estimated useful life of 3 to 7 years. Intellectual property is amortized on straight-line basis over the estimated useful life of 5 to 7 years.

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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

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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 totaling \$547,964. These assets were put in use by the end of December 2020 and amortization for the year ended December 31, 2021 has been recorded.

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 twelve months ended December 31, 2022 and 2021, and the antidilutive impact of options or warrants issued, basic loss per share is equal to diluted loss per share for the years presented.

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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

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- 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.

Revenue recognition

Revenue is recognized over the life of the merchant agreement in accordance with a typical "Software as a Service" model. 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.

Valuation of identifiable assets in a business combination

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.

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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

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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.

Critical accounting estimates

i. Stock-based compensation is subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

ii. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

iii. The determination of the liability portion and the equity portion of the convertible debenture is calculated using a discounted cash flow method, which requires management to make an estimate on an appropriate discount rate.

Critical accounting judgments

Going concern

Assessing the Company's ability to continue as a going concern requires management to estimate future cash flows and other future events, the outcome of which is uncertain.

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.

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

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AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2022

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

On January 1, 2023, The Company completed the acquisition of certain assets of SimpliConnect. Under the terms of the acquisition, Ackroo acquired all customer contracts and related IP of Simpliconnect adding over 60 clients and 350 locations. In consideration for the acquisition, the Company has paid UD\$750,000 on closing, has issued 5,625,000 common shares and will make a further six monthly cash payments of US\$125,000 commencing on July 1st 2023. The Company is at arms-length from Simpliconnect, and no finders' fees or commissions were paid in connection with completion of the acquisition. All common shares issued to Simpliconnect are subject to a 4 month and 1 day statutory hold period. As at the date of approval of the financial statements for the year ended December 31, 2022 by the board of directors, the management is still working on finalizing the initial accounting for business combination. The necessary disclosures for the SimpliConnect business combination will be made in FY 2023

On January 24, 2023, the Company issued 5,000,000 options to new employees, executives and board members at an exercise price of \$0.065 for a 3-year term. The options will be fully vested and exercisable after a 1-year period.

Impact from the global outbreak of COVID-19 (coronavirus) and changes to the macroeconomic environment

The COVID-19 pandemic has had adverse financial impacts on the global economy and financial markets. The conflict in Ukraine and the transition to higher inflationary environments have also contributed to increased global economic and financial volatility; however, there has been no significant impact on the Company's results and management continues to monitor for any potential impacts on the operations and financial position of the Company.

ADDITIONAL INFORMATION

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