



## **CONSOLIDATED FINANCIAL STATEMENTS**

**For  
ACKROO INC.**

**As at and for the three and six-months ended June 30, 2022**

### **Notice of no auditor review of condensed interim consolidated financial statements**

Under Part 4, subsection 4.3(3)(a) of National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Ackroo Inc. have been prepared by and are the responsibility of the Company's management.

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

**ACKROO INC.****CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

as at June 30, 2022 and December 31, 2021

(expressed in Canadian dollars except for share and per share amounts)

	Jun 30, 2022	Dec 31, 2021
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	775,172	772,304
Accounts receivable (Note 4)	551,564	469,542
Inventory	21,944	21,101
Prepaid expenses and other assets	38,999	65,407
Total current assets	1,387,679	1,328,354
<b>Non-current assets:</b>		
Due from related party (Note 13)	300,000	300,000
Property and equipment (Note 8)	1,589,788	1,728,899
Intangible assets (Notes 6 & 7)	1,959,547	2,847,757
Goodwill (Note 7)	2,640,084	2,640,084
Prepaid expenses and other assets	107,793	107,793
	6,597,212	7,624,533
	7,984,891	8,952,887
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Trade and other payables	505,717	598,260
Current portion of lease liability (Note 10)	217,146	233,839
Current portion of deferred revenue	70,562	96,431
Current portion of long term debt (Note 9)	400,000	78,287
Total current liabilities	1,193,425	1,006,817
Deferred revenue	-	27,403
Lease liability (Note 10)	1,423,303	1,502,203
Long term debt (Note 9)	2,967,894	3,336,006
	5,584,622	5,872,429
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 12 (a),(b))	19,518,697	19,518,697
Warrants (Note 12(c))	840,512	840,512
Contributed surplus (Note 12(d))	1,881,458	1,840,079
Deficit	(19,840,398)	(19,118,830)
	2,400,269	3,080,458
Total liabilities and shareholders' equity	7,984,891	8,952,887

Approved by the Board:

Steve Levely Director

Jeremy Jagt Director

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

**ACKROO INC.**  
**CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**For the six months ended June 30, 2022 and 2021**  
(Expressed in Canadian Dollars except for share and per share amounts)

	Three-months ended June 30		Six Months Ending June 30	
	2022	2021	2022	2021
<b>SALES</b>				
Subscription	1,347,353	1,250,299	<b>2,700,840</b>	2,304,768
Product	236,144	219,058	<b>439,152</b>	448,879
	1,583,497	1,469,357	<b>3,139,992</b>	2,753,647
<b>COST OF SALES</b>				
Subscription	42,389	106,150	<b>137,798</b>	212,694
Product	44,392	67,838	<b>111,842</b>	121,889
Total cost of sales	86,781	173,988	<b>249,640</b>	334,583
Gross profit	1,496,716	1,295,369	<b>2,890,352</b>	2,419,064
<b>EXPENSES</b>				
Administration	703,599	545,043	<b>1,319,292</b>	1,032,781
Research	291,523	384,220	<b>608,770</b>	724,540
Sales and marketing	193,806	318,144	<b>428,996</b>	608,239
Share-based compensation expense (Note 12(d))	80,896	79,947	<b>177,672</b>	141,445
Amortization of intangible assets (Note 6)	444,106	420,053	<b>888,210</b>	821,811
Amortization of property and equipment (Note 8)	73,823	100,959	<b>147,491</b>	176,311
Foreign exchange loss (gain)	(4,519)	2,936	<b>(3,978)</b>	68
	1,783,234	1,851,302	<b>3,566,453</b>	3,505,195
<b>LOSS BEFORE THE FOLLOWING ITEMS</b>	(286,518)	(555,933)	<b>(676,101)</b>	(1,086,131)
<b>FINANCE COSTS</b>				
Interest expense	(91,825)	(167,467)	<b>(191,330)</b>	(286,486)
Gain on retirement of debt	-	-	<b>17,597</b>	-
Amortization of deferred financing charges	(4,013)	(4,013)	<b>(8,027)</b>	(8,026)
	(95,838)	(171,480)	<b>(181,760)</b>	(294,512)
<b>LOSS BEFORE INCOME TAXES</b>	(382,356)	(727,413)	<b>(857,861)</b>	(1,380,643)
<b>INCOME TAX</b>	-	-	-	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	(382,356)	(727,413)	<b>(857,861)</b>	(1,380,643)
<b>BASIC AND DILUTED LOSS PER SHARE</b>	(0.003)	(0.007)	<b>(0.007)</b>	(0.013)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
	115,748,633	110,038,393	<b>115,660,688</b>	107,918,213

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

**ACKROO INC.**

**CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

**For the six months ended June 30, 2022 and 2021**

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

	Common Shares Number	Common Shares Amount	Agent Options	Warrants	Contributed Surplus	Accumulated Deficit	Total
<b>Balance at December 31, 2020</b>	<b>102,588,269</b>	<b>17,330,926</b>	-	<b>1,378,985</b>	<b>1,798,150</b>	<b>(16,690,314)</b>	<b>3,817,747</b>
Shares subscribed from options and warrants	12,910,364	2,145,918	-	(538,473)	(212,909)	-	<b>1,394,536</b>
Expiration of options / warrants	-	-	-	-	(76,960)	76,960	-
Share-based compensation	-	-	-	-	141,445	-	<b>141,445</b>
Comprehensive loss	-	-	-	-	-	(1,380,643)	<b>(1,380,643)</b>
<b>Balance at June 30, 2021</b>	<b>115,498,633</b>	<b>19,476,844</b>	-	<b>840,512</b>	<b>1,649,726</b>	<b>(17,993,997)</b>	<b>3,973,085</b>
<b>Balance at December 31, 2021</b>	<b>115,748,633</b>	<b>19,518,697</b>	-	<b>840,512</b>	<b>1,840,079</b>	<b>(19,118,830)</b>	<b>3,080,458</b>
Shares subscribed from options and warrants	-	-	-	-	-	-	-
Expiration of options / warrants	-	-	-	-	(136,293)	136,293	-
Share-based compensation	-	-	-	-	177,672	-	<b>177,672</b>
Comprehensive loss	-	-	-	-	-	(857,861)	<b>(857,861)</b>
<b>Balance at June 30, 2022</b>	<b>115,748,633</b>	<b>19,518,697</b>	-	<b>840,512</b>	<b>1,881,458</b>	<b>(19,840,398)</b>	<b>2,400,269</b>

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

**ACKROO INC.****CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

For the six months ended June 30, 2022 and 2021

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

	<b>2022</b>	<b>2021</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	(857,861)	(1,380,643)
<u>Items not affecting cash:</u>		
Amortization of deferred financing charges	8,027	8,027
Amortization of property and equipment (Note 8)	147,491	176,311
Amortization of intangible assets (Note 6)	888,210	821,811
Share-based compensation (Note 12(d))	177,672	141,445
Gain on debt retirement	(17,597)	-
Non-cash interest	42,527	47,295
	<b>388,469</b>	<b>(185,755)</b>
<u>Changes in non-cash working capital items</u>		
Accounts receivable (Note 4)	(82,022)	(6,144)
Inventory	(843)	9,778
Prepaid expenses and other assets	26,408	(6,056)
Accounts payable and accrued liabilities	(92,543)	(77,458)
Deferred revenue	(53,272)	(78,006)
	<b>186,197</b>	<b>(343,641)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment (Note 8)	(8,380)	(15,413)
Purchase of intangible assets (Note 6)	-	(925,000)
	<b>(8,380)</b>	<b>(940,413)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt (Note 9)	(36,828)	(673,362)
Advances of long-term debt (Note 9)	-	300,000
Cash payments of lease liabilities	(138,121)	(153,238)
Issuance of capital stock	-	1,394,536
	<b>(174,949)</b>	<b>867,936</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,868</b>	<b>(416,117)</b>
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD</b>	<b>772,304</b>	<b>1,932,408</b>
<b>CASH AND CASH EQUIVALENTS, AT END OF PERIOD</b>	<b>775,172</b>	<b>1,516,291</b>

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

**ACKROO INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the three and six months ended June 30, 2022 AND 2021**  
(Expressed in Canadian Dollars except for share and per share amounts)

**1. NATURE OF OPERATIONS**

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.

**Going Concern**

At June 30, 2022, the Company had cash of \$775,172, net loss from operations for the three and six months of \$382,356 and \$857,861 respectively, working capital of \$194,256 and an accumulated deficit of \$19,840,398. The Company has entered into certain loan arrangements to assist in continued operations and certain acquisitions (Note 9).

In view of these conditions, the ability of the Company to continue as a going concern is dependent upon achieving a profitable level of operations or obtaining the necessary financing to fund ongoing operations. Historically, the Company has relied upon funds from the operations, sale of shares of stock, issuance of promissory notes and loans from its shareholders and private investors to finance its operations and growth. Management may raise additional funds for working capital through loans and/or additional sales of its common stock, as required, however, there is no assurance that the Company will be successful in raising additional capital or that such additional funds will be available on acceptable terms, if at all. Should the Company be unable to raise this amount of capital, its operating plans will be limited to the amount of capital that it can access. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments which will be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

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

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

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

**ACKROO INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**2. BASIS OF PREPARATION**

**Basis of preparation**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS34"), as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements for the three and six months ended June 30, 2022 were approved and authorized for issuance in accordance with a resolution of the Board of Directors of the Company on July 28, 2022. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2021, no new standards were adopted.

**Future Accounting Pronouncements**

**Classification of Liabilities as Current or Non-Current and Deferral of Effective Date (Amendments to IAS 1)**

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months;
- provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and clarify when a liability is considered settled.

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

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

In May 2020, the IASB issued amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, to specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The new guidance will be effective for annual periods beginning on or after January 1, 2022 and is to be applied to contracts that have unfulfilled obligations as at the beginning of that period. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

**ACKROO INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**4. FINANCIAL INSTRUMENTS**

Fair value of financial instruments

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

Risk management

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

(a) Market risk

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

*Currency risk*

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

*Interest rate risk*

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

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risks relate to its cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are deposited with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote. Management believes that the credit risk on its accounts receivable is limited as the amounts are expected to be collected in the Company's next operating cycle.



**ACKROO INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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The aging of accounts receivable balances at June 30, 2022 are as follows:

	\$
Not past due	959
16 - 30 days	73,376
31 - 60 days	96,093
61 - 90 days	59,116
Greater than 90 days	108,516
	<u>338,060</u>

	\$
Trade accounts receivable before allowances	338,060
Less allowances for doubtful accounts	-
Other Receivables	213,504
Total Accounts Receivables	<u>551,564</u>

The Company has limited credit risk since the Company does not typically extend credit to its customers and customers are required to provide a pre-authorized method of payment upon entering into a service contract. The Company carries out, on a continuing basis, credit checks on its clients, a review of outstanding amounts and maintains provisions for estimated uncollectible accounts. Provisions for doubtful accounts, not due to credit loss, are made on an account-by-account basis. At June 30, 2022, the allowance for doubtful accounts amounted to \$Nil (2021 - \$Nil). At June 30, 2022, there were 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 come due. The Company's management believes its existing working capital cash generated from its operations and additional financing activities will enable the Company to meet its financial obligations.

**5. ACQUISITIONS**

WinWin / Resulto

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

Fair value of net assets acquired is as follows:

Customer contracts	116,263
IP	<u>20,000</u>
	<u>136,263</u>

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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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BNA Smart Payments

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

Fair value of net assets acquired is as follows:

Customer contracts	822,000
	<u>822,000</u>

3916715 Canada Inc. operating as GGGolf

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

Fair value of net assets acquired is as follows:

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

Interactive DMS

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

**ACKROO INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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Fair value of net assets acquired is as follows:

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

**6. INTANGIBLE ASSETS**

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

<b>Cost</b>	Intellectual Property	Brand	Customer Contracts	Total
As at December 31, 2020	1,400,975	59,000	8,080,033	9,540,008
Additions	186,000	12,000	336,000	534,000
As at December 31, 2021	1,586,975	71,000	8,416,033	10,074,008
Additions	-	-	-	-
As at June 30, 2022	1,586,975	71,000	8,416,033	10,074,008
<b>Accumulated Amortization</b>				
As at December 31, 2020	223,843	-	5,250,784	5,474,627
Amortization	280,203	-	1,471,421	1,751,624
As at December 31, 2021	504,046	-	6,722,205	7,226,251
Amortization	142,500	-	745,710	888,210
As at June 30, 2022	646,546	-	7,467,915	8,114,461
<b>Net book value</b>				
As at December 31, 2020	1,177,132	59,000	2,829,249	4,065,381
As at December 31, 2021	1,082,929	71,000	1,693,828	2,847,757
As at June 30, 2022	940,429	71,000	948,118	1,959,547

The intangible assets acquired in 2022 and 2021 were recorded as a result of the business combinations and asset acquisition as disclosed in Note 5.

**7. GOODWILL**

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

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

Goodwill in the amount of \$391,000 arose on the acquisition of the assets of InterActive DMS ("IDMS") on May 31, 2021. This value, in part, consists of an increase of revenues, costs efficiencies, wider customer base, and synergies between existing products and services offered by Ackroo and those of the IDMS technology and services.

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<b>Ackroo (Single CGU)</b>	<b>Goodwill</b>
<b>Balance, December 31, 2018</b>	<b>1,499,084</b>
Additions - IQ724	385,000
<b>Balance, December 31, 2019</b>	<b>1,884,084</b>
Additions - GGGolf	365,000
<b>Balance, December 31, 2020</b>	<b>2,249,084</b>
Additions - IDMS	391,000
<b>Balance, December 31, 2021</b>	<b>2,640,084</b>
Additions -	-
<b>Balance, June 30, 2022</b>	<b>2,640,084</b>

**ACKROO INC.**  
**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**8. PROPERTY AND EQUIPMENT**

<b>Cost</b>	Computer equipment	Right of use leased asset - office space	Furniture and fixtures	Total
As at December 31, 2020	195,613	2,199,400	84,003	2,479,016
Additions	22,792	-	18,797	41,590
Disposition	-	-	-	-
As at December 31, 2021	218,405	2,199,400	102,801	2,520,605
Additions	8,380	-	-	8,380
Disposition	-	-	-	-
As at June 30, 2022	226,785	2,199,400	102,801	2,528,985

<b>Accumulated amortization</b>	Computer equipment	Right of use leased asset - office space	Furniture and fixtures	Total
As at December 31, 2020	132,078	322,585	33,221	487,884
Additions	33,719	258,068	12,036	303,823
Disposition	-	-	-	-
As at December 31, 2021	165,797	580,653	45,257	791,707
Additions	12,702	129,034	5,754	147,491
Disposition	-	-	-	-
As at June 30, 2022	178,499	709,687	51,011	939,197

<b>Net book value</b>	Computer equipment	Right of use leased asset - office space	Furniture and fixtures	Total
As at December 31, 2020	63,535	1,876,815	50,782	1,991,132
As at December 31, 2021	52,608	1,618,747	57,544	1,728,899
As at June 30, 2022	48,286	1,489,713	51,790	1,589,788

**ACKROO INC.**  
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**9. LONG-TERM DEBT**

The Company has the following debt balances outstanding:

	<u>2022</u>	<u>2021</u>
On July 2, 2019, the Company secured financing from BDC Capital Inc. in the amount of \$3,000,000. On April 3, 2020 the Company received an additional \$1,000,000 disbursement from BDC connected to the original financing. The BDC Capital Inc. financing has a 5-year term, bears an initial interest rate of 9.75% and incurred a 1.5% (\$45,000) upfront fee for the first disbursement and (\$15,000) for the second disbursement. The loan has annual principal repayments commencing April 2021 based on 50% of free available cash flow from the prior fiscal year with a maximum annual principal repayment of \$600,000. The closing costs related to the loan were capitalized and will be recognized over the 5-year term of the loan. The loan is secured by a floating security charge over all assets of the Company. \$600,000 was repaid during the quarter ending September 30, 2021. The company intends to make a discretionary payment of \$400,000 within the next 12 months.	3,400,000	3,400,000
On April 2, 2020, the Company acquired some assets of BNA Smart Payments with consideration consisting of \$200,000 cash on closing and additional consideration being paid over the next 18 months based on the actual residual payment revenues from the BNA customers. The balance of the future estimated cash consideration was recorded and discounted at an effective interest rate of 10%. The loan is non-interest bearing and unsecured. Balance was paid in full by March 31st 2022, resulting in a \$17,596 gain on repayment.	-	54,426
On October 30, 2020, the Company acquired 3916715 CANADA INC (operating as GGGolf) with consideration of \$1,800,000 in cash (\$1,200,000 on closing and \$600,000 after 90 days) as well as a provision for potential additional consideration of up to a maximum of \$200,000 based on \$2 per every \$1 over \$900,000 in annual gross revenue. The amount owing is non-interest bearing and the acquisition was recorded and discounted at an effective rate of 10%. Since it is unknown if the additional consideration will be achieved, it has not been included in the year end liability balance. In addition, the cash payments of \$1,200,000 and \$600,000 were reduced by \$76,915 and \$45,000 respectively based on the post-acquisition analysis of the working capital deficit in the entity. Balance was paid on January 30, 2021.	-	-
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 30 2021.	-	-
	3,400,000	3,454,426
Unamortized financing costs	32,106	40,133
Current portion	400,000	78,287
Long-term portion	2,967,894	3,336,006

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The estimated principal repayments over the next five years are:

2022	\$	400,000
2023		600,000
2024		2,400,000
2025		-
2026		-
	\$	<u>3,400,000</u>

The interest incurred on the long-term debt in the six months ended June 30, 2022 and 2021, was \$191,329 and \$239,191 respectively.

**10. LEASE LIABILITIES**

Lease liabilities are comprised of the two leases, one for office space premises located in Stoney Creek, Ontario and the other for office furniture for the Stoney Creek office with monthly lease payments in the amounts of \$20,190 and \$2,830 respectively. The Ottawa lease was terminated early for a one-time payout of \$27,500. The lease liability was calculated at a 5% incremental borrowing rate. Lease interest expense and amortization expense for the three months ended June 30, 2022 were \$20,953 and \$64,517 respectively (June 30, 2021: \$23,933 and \$64,517 respectively.) Lease liabilities as of June 30, 2022 were \$217,146 (short-term) and \$1,423,303 (long-term).

**11. CREDIT FACILITIES**

The Company has a revolving demand facility with a maximum borrowing of \$1,600,000 of which \$Nil was utilized at June 30, 2022 (2021 - \$NIL). The facility is repayable on demand, bears a total interest rate at bank prime (3.7% at June 30, 2022) + 2% and is secured by a general security agreement over all personal property of the Company. The borrowings under this facility must not exceed the aggregate of 4 x MRR (4 times the total Monthly Recurring Revenue) to a maximum borrowing of \$1,600,000.

Under the terms of the BDC Agreement, so long as any amount is owing, the Company must meet certain financial ratios concerning Working Capital, Term Debt to Tangible Equity and Annual Recurring Rate Churn Rate.

**12. 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>2022</u>	<u>2021</u>
Common - 115,748,633 shares (December 2021 - 115,748,633 shares)	\$ 19,518,697	\$ 19,518,697

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**(c) Outstanding warrants**

At the three and six months ended June 30, 2022, a summary of the Company's warrant activity is as follows:

	Number of warrants	Weighted Average Exercise Price
<b>Balance at December 31, 2019</b>	<b>10,375,364</b>	<b>\$0.100</b>
Warrants expired	-	<b>\$0.000</b>
Warrants exercised	(40,000)	<b>\$0.100</b>
Warrants issued	25,000,000	<b>\$0.180</b>
<b>Balance at December 31, 2020</b>	<b>35,335,364</b>	<b>\$0.157</b>
Warrants expired	-	<b>\$0.000</b>
Warrants exercised	(10,335,364)	<b>\$0.100</b>
Warrants issued	-	<b>\$0.000</b>
<b>Balance at December 31, 2021</b>	<b>25,000,000</b>	<b>\$0.180</b>
Warrants expired	-	<b>\$0.000</b>
Warrants exercised	-	<b>\$0.000</b>
Warrants issued	-	<b>\$0.000</b>
<b>Balance at June 30, 2022</b>	<b>25,000,000</b>	<b>\$0.180</b>

For the year ended December 31, 2020, 25,000,000 warrants were issued in connection with the private placement for Units at a price of \$0.12 per Unit for gross proceeds of \$3,000,000 and 40,000 warrants were exercised by a warrant holder for total proceeds of \$4,000. Each "Unit" consists of one common share of the Company and one share purchase warrant (each a "Warrant") entitling the holder to purchase an additional common share of the Company at a price of \$0.18 per share until November 12, 2023. The Warrants are subject to accelerated expiry in the event the closing price of the Company's shares on or after 18 months from the date of closing is \$0.28 or more for twenty consecutive trading days.

For the year ended December 31, 2021, 10,335,364 warrants were exercised by warrant holders for total proceeds of \$1,033,536.

There was no warrant activity for the six months ending June 30, 2022.

**(d) Stock options**

Under the terms of the Company's approved Stock Option Plan (ESOP) the Board of Directors of the Company may, from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company options to purchase common shares, provided that the number of common shares reserved for issuance, together with those to be issued pursuant to options previously granted, does not exceed 10% of the issued and outstanding common shares at the time of the grant. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis, or 2% if the optionee is engaged in investor relations activities or is a consultant. Under Exchange policy, all such rolling stock option plans which set the number of common shares issuable under the plan at a maximum of 10% of the issued and outstanding common shares must be approved and ratified by shareholders on an annual basis. There are currently 115,748,633 (June 30, 2021 – 115,498,633) common shares outstanding, with 2,824,863 (2021 – 3,585,732) of the Company's common shares available for issuance.



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Options are exercisable over periods of up to three years as determined by the Board of Directors and are required to have an exercise price no less than the closing market price of the common shares prevailing on the day that the option is granted less a discount of up to 25%, with the amount of the discount varying with market price in accordance with the policies of the Exchange. Options held by an officer, director or service provider (not conducting investor relations) expire 30 days after the option holder has left office or the service provider ceases providing services, and for options held by service providers conducting investor relations, 30 days after the Company terminates that relationship. In the case of the death of an employee, officer, director or other service provider, the option may be exercised by a personal representative or heir until the earlier of the option's expiry or one year after the option holder died.

Pursuant to the Stock Option Plan, the Board of Directors may from time to time authorize the grant of options to directors, officers, employees and consultants of the Company or employees of companies providing management or consulting services to the Company. Other than options granted to consultants performing investor relations activities which must vest in stages over 12 months with no more than one-quarter of the options vesting in any three-month period, the Stock Option Plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion.

At June 30, 2022, a summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
<b>Balance, December 31, 2019</b>	<b>6,462,174</b>	<b>\$0.133</b>
ESOP Options Granted	2,875,000	\$0.145
ESOP Expired/Cancelled	(1,960,000)	\$0.144
Exercised	(988,043)	\$0.115
<b>Balance, December 31, 2020</b>	<b>6,389,131</b>	<b>\$0.138</b>
ESOP Options Granted	6,975,000	\$0.212
ESOP Expired/Cancelled	(2,450,000)	\$0.173
Exercised	(2,825,000)	\$0.137
<b>Balance, December 31, 2021</b>	<b>8,089,131</b>	<b>\$0.191</b>
ESOP Options Granted	1,900,000	\$0.102
ESOP Expired/Cancelled	(1,264,131)	\$0.195
Exercised	-	\$0.000
<b>Balance, June 30, 2022</b>	<b>8,725,000</b>	<b>\$0.171</b>

During the year ended December 31, 2021, 2,825,000 options were exercised by employees and executives of the Company for total proceeds of \$387,000. No options were exercised for the three and six months ended June 30, 2022.

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At June 30, 2022 and 2021, a summary of stock options outstanding and exercisable are as follows:

<b>2022</b>					
Grant Date	# of Options Outstanding	# of Options Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life (years)
August 6, 2019	600,000	600,000	\$0.120	August 6, 2022	0.10
January 24, 2020	1,025,000	1,025,000	\$0.160	January 24, 2023	0.57
May 12, 2020	275,000	275,000	\$0.120	May 12, 2023	0.87
October 8, 2020	100,000	100,000	\$0.110	October 8, 2023	1.27
January 20, 2021	3,625,000	1,812,500	\$0.225	January 20, 2024	1.56
August 26, 2021	1,200,000	0	\$0.170	August 26, 2024	2.16
January 18, 2022	900,000	0	\$0.120	January 18, 2025	2.56
June 8, 2022	1,000,000	0	\$0.085	June 8, 2025	2.94
<b>June 30, 2022</b>	<b>8,725,000</b>	<b>3,812,500</b>	<b>\$0.171</b>		

<b>2021</b>					
Grant Date	# of Options Outstanding	# of Options Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life (years)
December 14, 2018	200,000	200,000	\$0.100	December 14, 2021	0.46
April 11, 2019	39,131	39,131	\$0.115	April 11, 2022	0.78
August 6, 2019	600,000	600,000	\$0.120	August 6, 2022	1.10
January 24, 2020	1,175,000	1,175,000	\$0.160	January 24, 2023	1.57
May 12, 2020	375,000	375,000	\$0.120	May 12, 2023	1.87
October 8, 2020	300,000	300,000	\$0.110	October 8, 2023	2.27
January 20, 2021	5,275,000	0	\$0.225	January 20, 2024	2.56
<b>June 30, 2021</b>	<b>7,964,131</b>	<b>2,689,131</b>	<b>\$0.195</b>		

**13. Related party transactions**

**(a) Compensation of key management personnel**

The remuneration of key management personnel of the Company during the six months ended June 30, 2022 and 2021 were as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Salaries, incentives / short-term benefits	217,712	241,732
Share based compensation	165,721	69,721
	<u>383,433</u>	<u>311,453</u>

**(b) 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,

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

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

**14. Segmented information**

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

**15. Subsequent Events**

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