

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

Dated: July 29, 2020

OVERVIEW

Ackroo Inc. ("Ackroo" or the "Company") is a public company and its shares are listed on the TSX Venture Exchange (TSX-V:AKR). The Company was originally incorporated under the laws of the Province of British Columbia and was continued under the laws of the Province of Alberta and subsequently continued federally under the Canada Business Corporations Act. The Company's head office is located at 1250 South Service Rd, Unit A3-1 (3rd Floor) Hamilton, ON L8E 5R9 and records office at Suite 2200 – 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8.

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of the Company for the three-months and six-months ended June 30, 2020 and is prepared as at July 29, 2020. This MD&A should be read in conjunction with the Company's Consolidated Financial Statements as at and for the three-months and six-months ended June 30, 2020, and 2019, and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") (collectively referred to as the "Financial Statements"), which are available on www.sedar.com. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements.

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

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

APPROVAL

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

CAUTIONARY NOTE REGARDING ON FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable Canadian securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

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, gift card and payments platform into automotive, petroleum, hospitality and retail business of all sizes. Ackroo has developed a solution that is robust, easy to use, and affordable for all merchants. Physical and digital, in-store and online, from single location mom and pops to large multi-location organizations, the Ackroo platform is built to support the growing needs of these growing business segments.

Via a SaaS based business model Ackroo charges their merchants:

- a) A one-time setup fee to deploy the technology and train customers
- b) Monthly recurring fees to process, support and further develop the technology

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

- c) On-going one-time fees for items like cards/collateral, custom development, distribution, payment hardware 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.

As of June 30, 2020, the table below represents the current YTD financial metrics for Ackroo as well as 2019 and 2018 metrics that relate to these fees: (Non-GAAP/IFRS measures)

	2018	2019	2020	Comments
Avg. MRR per loc	\$72	\$84	\$83	Maintaining
Avg. OTR per loc	\$24	\$22	\$19	Maintaining
Avg Total rev per loc	\$96	\$106	\$102	Maintaining
Gross Margin	84%	82%	88%	Growing
Mktg/Data services clients	< 3%	< 4%	<10%	Growing
Payment services clients	0%	<1%	7%	Growing
Avg. Tx per month	400k+	500k+	550k+	Growing
MRR to OTR Ratio	73% 27%	77% 23%	81% 19%	Growing
Attrition	4%	4%	5%	Maintaining
Locations	4,200+	4,700+	4,800+	Growing
Approx. LTV (7 year)	\$8,064	\$8,904	\$8,568	Maintaining
Organic CAC	\$979	\$978	\$1,224	Increasing
LTV to Organic CAC	8 to 1	9 to 1	7 to 1	Maintaining

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 more 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.

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

The Company's Ackroo Anywhere platform provides merchants 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 program
- 3) Customer interfaces (via their website or mobile) to allow merchants consumers to register, check, transfer and reload balances

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

Ackroo also provides their customers with important marketing, data and payment services in order to help drive bigger results:

- i) Marketing services include email and direct mail marketing as well as design.
- ii) Data services includes access to Ackroo's advanced Business Intelligence tool to look at data across all purchase information not just rewards purchase data to drive marketing initiatives
- iii) 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's online and in-store loyalty marketing & payments platform manages 3 key merchant currencies in gift card, loyalty and promotions. The platform provides both the ability to process the data as well as actionable tools to drive results through these currencies.

The Company acquires their customers through three distinct channels:

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

It is through these channels that the company now supports over 1,300 customers and 4,800 locations across North America.

During the period ended June 30, 2020, the Company continued to execute on their growth plans while also advancing their technology and operations. Some of the highlights of the Company's efforts during the year include:

- Increased revenues by **26%** over Q2 2019
- Increased subscription revenue by **45%** over Q2 2019 and **42%** YTD over 2019
- Increased EBITDA by **49%** over Q2 2019
- Increased EBITDA as a % of revenue by **3%** from 17% in Q2 2019 to **20%** in Q2 2020
- Added **76 new clients** through **organic sales**
- **Increased company cash position** from \$33k at the end of Q1 to **\$306k** by the end of Q2
- Closed the **company's 9th acquisition** with BNA Smart Payments
- Completed the **product rebuild of the IQ 724** built Data Warehouse in order to offer **Ackroo's own BI solution to customers**
- **Completed Fleet** card development for **Tetra devices** in order to provide fleet card processing for **gas station clients**.
- Completed a **rebuild of our virtual terminal** for automotive clients for **better UI/UX**
- **Continued integration of IQ724 assets and features** in order to fully migrate all remaining clients in Q3 2020
- **Added 3 new staff members** into the product team to help **accelerate our growth**
- Continued to **grow the Company's accretive M&A funnel** with several small and large opportunities poised for 2020 and beyond

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

The Company had one of its most challenging quarters due to the restrictions and distractions of Covid-19 however delivered one of our best quarters to date in regards to stabilizing the business and further positioning for growth.

The product team delivered key advancements to clear up some legacy technical debt while also building new commercialized products.

The finance and operations team worked closed with customers to manage payment deferrals and keep attrition low despite some customer concern.

The marketing team launched our new website with many new tools and help support a growing demand for digital marketing and design support.

The sales team added many small and large clients to our client portfolio in all segments of our business.

Corporately we closed another M&A deal and have many more lined up for the near future while also working hard at improving our balance sheet and maintaining operational efficiency.

These are certainly challenging times however Ackroo has managed to grow stronger and stronger during the period and is poised for even greater success in the quarters ahead.

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

SELECTED FINANCIAL INFORMATION

	For the six-months ended June 30, 2020	For the six-months ended June 30, 2019	For the six-months ended June 30, 2018
Total revenues	\$ 2,926,496	\$ 2,234,861	\$ 2,216,587
Loss and comprehensive loss	(993,981)	(283,071)	(479,426)
Per share - basic and diluted	(0.013)	(0.004)	(0.010)
Total current assets	956,523	635,615	357,089
Total assets	8,386,805	3,551,785	4,301,493
Total current liabilities	1,809,393	602,000	1,018,924
Total long-term financial liabilities	5,535,241	482,238	22,299
Cash	305,835	135,576	26,485
Total equity	1,042,171	2,467,547	3,260,270

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

Operations:

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

SUMMARY OF QUARTERLY RESULTS

	Quarter Ended June 30, 2020	Quarter Ended March 31, 2020	Quarter Ended December 31, 2019	Quarter Ended September 30, 2019
Total revenues	\$ 1,440,625	\$ 1,485,871	\$ 1,521,875	\$ 1,476,490
Loss and comprehensive loss	(467,326)	(526,655)	(489,516)	(406,855)
Basic and diluted loss per share	(0.006)	(0.007)	(0.006)	(0.005)
	Quarter Ended June 30, 2019	Quarter Ended March 31, 2019	Quarter Ended December 31, 2018	Quarter Ended September 30, 2018
Total revenues	\$ 1,146,079	\$ 1,088,783	\$ 1,135,387	\$ 1,083,046
Loss and comprehensive loss	(89,645)	(193,425)	(258,408)	(328,987)
Basic and diluted loss per share	(0.001)	(0.003)	(0.003)	(0.004)

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

ANALYSIS OF THE SUMMARY ANNUAL AND QUARTERLY RESULTS:

The Company is focused on increasing revenues, managing operating costs, completing an acquisition, and driving shareholder value. During the three-months and six-months ended June 30, 2020, the Company accomplished these goals by increasing margins and managing operating costs which resulted in a basic and diluted loss per share at \$(0.006) and \$(0.013) respectively.

RESULTS OF OPERATIONS FOR THE SIX-MONTHS ENDED JUNE 30, 2020

The following analysis of the Company's operating results for the three-months and six-months ended June 30, 2020 and includes a comparison against the three-months and six-months ended June 30, 2019.

Revenue

Revenues for the three-months ended June 30, 2020, were \$1,440,625 compared to \$1,146,079 for the three-months ended June 30, 2019. Revenues for the six-months ended June 30, 2020, were \$2,926,496 compared to \$2,234,861 for the six-months ended June 30, 2019. The 26% year over year revenue growth for the three-months ended June 30, 2020 and 31% year over year revenue growth for the six-months ended June 30, 2020 was driven the acquisition of IQ724 on July 2, 2019 and by the Company's continued efforts to organically increase customers and revenues by selling their gift card and loyalty platform and associated services.

Expenses

Cost of goods sold for the three-months ended June 30, 2020 was \$132,015 (gross margin 90.8%) compared to \$189,689 (gross margin 83.5%) for the three-months ended June 30, 2019. Cost of goods sold for the six-months ended June 30, 2020 was \$344,621 (gross margin 88.2%) compared to \$365,050 (gross margin 83.7%) for the six-months ended June 30, 2019. The results show the Company was able to improve product sales margins by maintaining shipping and product costs through vendor management. Subscription COGS were up over the prior year due to increased integration license fees as well to increased cloud hosting costs and IQ724 service agreements. Product sales for the six-months ended June 30, 2020 included some high margin development work which pulled the overall margin up.

Amortization of property and equipment for the three-months ended June 30, 2020 was \$83,247 compared to \$28,892 for the three-months ended June 30, 2019. Amortization of property and equipment for the six-months ended June 30, 2020 was \$148,931 compared to \$57,784 for the six-months ended June 30, 2019. This depreciation relates to computer equipment, furniture, fixtures and now as of January 1, 2019, the depreciation of Leases as per IFRS 16. The amount relating to lease amortization for the three-months and six-months ended June 30, 2020 was \$62,449 and \$126,966 and for the three-months and six-months ended June 30, 2019 was \$26,571 and \$53,142.

Amortization of intangible assets for the three-months ended June 30, 2020 was \$475,062 compared to \$218,413 for the three-months ended June 30, 2019. Amortization of intangible assets for the six-months ended June 30, 2020 was \$864,883 compared to \$444,848 for the six-months ended June 30, 2019. This amortization relates to amortization of assets acquired from Dealer Rewards of Canada 2014 Inc., D1 Mobile

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

Corp., Loyalint / Fidelint Platform (ORBO RÉCOMPENSES INC.), KESM Transactions Solutions Inc. & LoyalMark LLC, IQ724, WinWin/Resulto and BNA Smart Payments.

Administrative expense for the three-months ended June 30, 2020 was \$465,175 compared to \$439,507 for the three-months ended June 30, 2019. Administrative expense for the six-months ended June 30, 2020 was \$970,072 compared to \$967,485 for the six-months ended June 30, 2019. Administrative expenses remained flat year over year despite the additional workload from the recent acquisitions.

Research expense for the three-months ended June 30, 2020 was \$439,942 compared to \$239,703 for the three-months ended June 30, 2019. Research expense for the six-months ended June 30, 2020 was \$846,556 compared to \$472,306 for the six-months ended June 30, 2019. Costs year over year increased due the hiring of additional senior R&D staff coupled with additional on-boarding support staff and cloud hosting infrastructure as well as support agreement expense relating to the IQ724 acquisition.

Sales and marketing expense for the three-months ended June 30, 2020 was \$92,901 compared to \$80,785 for the three-months ended June 30, 2019. Sales and marketing expense for the six-months ended June 30, 2020 was \$207,120 compared to \$162,095 for the six-months ended June 30, 2019. The increase in expense year over year relates to expansion of the business development and marketing teams.

Stock based compensation expense for the three-months ended June 30, 2020 was \$55,236 as compared to \$26,281 for the three-months ended June 30, 2019. Stock based compensation expense for the six-months ended June 30, 2020 was \$255,328 as compared to \$26,281 for the six-months ended June 30, 2019. Stock based compensation expenses during the year related to employee stock incentives and compensation to Board members.

Interest & amortization of deferred financing charges expense for the three-months ended June 30, 2020 was \$146,412 compared to \$12,454 for the three-months ended June 30, 2019. Interest & amortization of deferred financing charges expense for the six-months ended June 30, 2020 was \$266,444 compared to \$22,049 for the six-months ended June 30, 2019. Interest expense reflects interest incurred on the operating line of credit, SOFII loan & BDC loan. Included in this amount for the six-months ended June 30, 2020 is \$53,242 of interest expense relating to IFRS 16 leases and \$7,249 of expense relating to the amortization of deferred financing charges from the BDC and SOFII financing deals.

Loss from Operations

Net loss and comprehensive loss for the three-months ended June 30, 2020 was \$467,326 compared to \$89,645 for the three-months ended June 30, 2019. Net loss and comprehensive loss for the six-months ended June 30, 2020 was \$993,981 compared to \$283,071 for the six-months ended June 30, 2019. The net income and comprehensive income (excluding interest, taxes, amortization and stock-based compensation) "Adjusted EBITDA*" for the three-months ended June 30, 2020 was a **gain of \$292,631** compared to the "Adjusted EBITDA* **gain of \$196,395** the three-months ended June 30, 2019. The net income and comprehensive income (excluding interest, taxes, amortization and stock-based compensation) "Adjusted EBITDA*" for the six ended June 30, 2020 was a **gain of \$541,605** compared to the "Adjusted EBITDA* **gain of \$267,891** the six-months ended June 30, 2019.

ACKROO INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

The three-months ended June 30, 2020 represents the **10th consecutive positive “Adjusted EBITDA” quarter and highest EBITDA positive quarter in the history of the Company.**

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

	Six-months ended June 30, 2020	Six-months ended June 30, 2019	Three months ended June 30, 2020	Three months ended June 30, 2019
NET LOSS AND COMPREHENSIVE LOSS	(993,981)	(283,071)	(467,326)	(89,645)
add: Share-based compensation expense	255,328	26,281	55,236	26,281
add: Amortization of intangible assets	864,883	444,848	475,062	218,413
add: Amortization of property and equipment	148,931	57,784	83,247	28,892
add: Interest expense	266,444	22,049	146,412	12,454
Adjusted EBITDA Income/(Loss)	541,605	267,891	292,631	196,395

FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

Risk Management

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

(a) Market risk

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

Interest rate risk

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

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

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 Jun 30, 2020 are as follows:

	Amounts Due	Collected within 30 days of period end	Remaining Aged Balance
1 - 30 days	402,852	327,227	75,625
31 - 60 days	42,619	14,949	27,670
61 - 90 days	16,157	5,588	10,569
Greater than 90 days	5,594	2,195	3,399
	467,222	349,959	117,263

The aging of accounts receivable balances at Dec 31, 2019 are as follows:

	Amounts Due	Collected within 30 days of year end	Remaining Aged Balance
1 - 30 days	443,482	341,112	102,370
31 - 60 days	50,954	41,139	9,815
61 - 90 days	7,897	6,185	1,712
Greater than 90 days	756	135	621
	503,089	388,571	114,518

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, 2020, the allowance for doubtful accounts amounted to \$Nil (2019 - \$Nil). At June 30, 2020 there were two customers that represented greater than 10% of the current total accounts receivable (13.6% and 12.9%) whose entire balance was subsequently paid after quarter end.

ACKROO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

(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

At June 30, 2020, the Company has a deficit of \$16,489,990 and no longer expects to incur cash losses in the development of its business. The Company has historically financed its operations and met its capital requirements primarily through the sale of capital stock by way of private placement, exercise of stock options, debt, and the exercise of warrants issued.

The Company's operating activities for the three-months ended June 30, 2020 contributed cash of \$227,440 as compared to the three-months ended June 30, 2019 which contributed cash of \$232,762. The Company's operating activities for the six-months ended June 30, 2020 contributed cash of \$463,424 as compared to the six-months ended June 30, 2019 which contributed cash of \$54,369.

The operating, investing, and financing activities for the three-months ended June 30, 2020 contributed cash of \$267,961 as compared to the three-months ended June 30, 2019 which contributed cash of \$64,090. The operating, investing, and financing activities for the six-months ended June 30, 2020 contributed cash of \$277,231 as compared to the three-months ended June 30, 2019 which contributed cash of \$104,287. The resulting cash balances were \$305,835 and \$135,576 as at the six-months ended June 30, 2020 and June 30, 2019 respectively.

The Company has negative working capital of \$602,561 (IFRS 16 adjusted) as at the six-months ended June 30, 2020 as compared to positive working capital of \$33,615 (IFRS 16 adjusted) as at the six-months ended June 30, 2019. Long-term funding was then received from BDC at the beginning of April 2020 to replenish cash reserves and correct the working capital ratio. The Company plans to further organically increase its revenues in order support its working capital requirements, however, should revenue not be significantly increased, the Company will either pursue cost cutting measures and/or issue a private placement or secure debt financing to help assist in the servicing of its obligations for 2020.

The Company has future financial commitments under its office-operating & furniture leases in the amount of \$132,915 (2020), \$271,014 (2021), \$269,524 (2022), \$251,155 (2023) and \$258,359 (2024).

Contractual obligations	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
Debt	4,957,078	1,130,477	1,530,405	1,296,195	1,000,000
Operating leases	2,511,261	250,308	547,826	516,745	1,196,382
Total contractual obligations	7,468,339	1,380,785	2,078,231	1,812,940	2,196,382

ACKROO INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

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

	<u>2020</u>	<u>2019</u>
Common - 77,148,269 shares (2019 - 76,560,226 shares)	\$ 15,408,076	\$ 15,294,708

As of July 29, 2020, there were 77,148,269 (94,712,764 diluted) common shares issued and outstanding.

RELATED PARTY TRANSACTIONS

On September 1, 2018 the Company entered into an agreement with a member of the management team to consolidate 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 form related party by \$134,980 for a total balance of \$300,000. The terms of the agreement were modified to have the maturity date, and payment due on or before, June 1, 2022. Simple interest will accrue on the indebtedness at a rate of 2% per annum and shall be payable annually. As of June 30, 2020, the balance was \$300,000.

The Company entered into consulting agreements with directors and officers resulting in expense in the six-months ended June 30, 2020 and 2019 of \$30,592 and \$10,681. As at June 30, 2020 \$20,644 was unpaid and included in accounts payable and accrued liabilities (2019 - \$Nil).

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

BUSINESS COMBINATION

Business Combination

KESM Transactions Solutions Inc. & LoyalMark LLC

On December 1, 2017 the Company completed the acquisition of certain software technologies and customer contracts from KESM Transactions Solutions Inc. & LoyalMark LLC which assets comprise the KESM/LoyalMark software platform. The acquisition is a business combination accounted for using the acquisition method in accordance with IFRS 3. Assets assumed in the acquisition have been recorded at their fair values as at the date of acquisition. The excess of the consideration transferred over the fair value of the assets acquired has been included in goodwill. The acquisition of the KESM/LoyalMark assets is expected to contribute to the profitability of the Company through synergies identified and expected to be realized in the elimination of redundant expenditures including staff and overheads. In determining the fair market value of the assets acquired, synergies are not factored in in order to assess a fair market participant value. As a result, goodwill was created which represents the synergistic benefits to be realized by the Company starting immediately following acquisition. In consideration for the assets, the Company issued 35,800,000 common shares, and paid cash consideration of \$200,000 of which \$100,000 was paid on closing of the acquisition with the remaining \$100,000 to be paid during fiscal 2018 and fiscal 2019 (\$25,000 – 2018 and \$75,000 – 2019). In addition, the Company entered into 5-year consulting agreements with the 2 owners of KESM/LoyalMark to provide advice and consulting services in advancing the business. In consideration for providing the services under the consulting agreements, the Company will pay \$33,334 and US\$10,000 respectively per month. The consulting agreements may be terminated by KESM/LoyalMark with 30 days' notice. The consulting services have been determined to be post acquisition compensation.

On February 28, 2019, Company renegotiated the consulting agreements related to the KESM acquisition to significantly lower the monthly consultation fees and extending term of the agreement. The monthly consulting fees which had a remaining term of 47 months has been extended to 84 months with the monthly amounts decreasing from \$33,333 CAD and \$10,000 USD to \$16,246 CAD and \$8,000 USD respectively for an annual savings of \$236,968.

Fair value of net assets acquired is as follows:

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

ACKROO INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

IQ724

On July 2, 2019, the Company completed the acquisition of certain assets of I.Q. 7/24 Inc. (“IQ724”), a wholly owned subsidiary of Mobi724 Global Solutions Inc. The acquisition is a business combination accounted for using the acquisition method in accordance with IFRS 3. Assets assumed in the acquisition have been recorded at their fair values as at the date of acquisition. The acquisition of the IQ724 assets is expected to contribute significantly to the profitability of the Company through synergies identified and expected to be realized in the elimination of redundant expenditures including staff and overheads. In consideration for the assets, the Company paid cash consideration of \$2,800,000 on closing. In addition, the Company entered into a 2-year licensing agreement with Mobi724 Global Solutions Inc. for \$20,000/month to allow support, development and migration of the customers from the Mobi724 Global Solutions Inc. platform to the Ackroo platform. The acquisition was funded through the debt financing provided by BDC Capital Inc. This agreement was amended in December 2019 as the company agreed to acquire full rights to the IP in the amount of \$320,000. As of February 29, 2020. A deposit of \$160,000 was paid in December 2019 with the balance to be paid in two \$90,000 installments after the February 29, 2020 closing date once transition was completed. All amounts have been paid in full as of June 30, 2020.

Fair value of net assets acquired is as follows:

Customer contracts	\$ 2,415,000
Goodwill arising on acquisition	385,000
IP	<u>320,000</u>
	<u>\$ 3,120,000</u>

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>

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

BNA Smart Payments

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 loan is non-interest bearing and unsecured. The balance of the future cash consideration was recorded and discounted at an effective interest rate of 10%.

Fair value of net assets acquired is as follows:

Customer contracts	\$ <u>822,150</u>
	\$ <u><u>822,150</u></u>

RISKS AND UNCERTAINTIES

The Ability to Manage Growth

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

Possible Dilution to Present and Prospective Shareholders

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

Dependence of Key Personnel

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

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

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

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

Future Operations

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

Revenue concentration

For the three-months and six-months ended June 30, 2020, there was one customer that represented 16.9% and 16.4% of total revenue respectively. There was no other customer that represented more than 10% of revenue.

CRITICAL ACCOUNTING ESTIMATES

There have been no significant changes to any accounting estimates as disclosed in the Company's most recent interim Financial Statements as at and for the six-months ended June 30, 2020.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Recently adopted accounting standards

IFRS 16 Leases

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

The adoption of IFRS 16 led to the recording of a right of use leased asset – office space in the amount of \$192,245 including prepaid rent of \$9,244 and a total related lease liability of \$183,001.

ACKROO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE-MONTHS AND SIX-MONTHS ENDED JUNE 30, 2020

SUBSEQUENT EVENTS

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of in for the three-months ended June 30, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.

ADDITIONAL INFORMATION

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