

# **YANGAROO Inc.**

Unaudited Condensed Interim Financial Statements

For the Three Months Ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

## **Notice of No Auditor Review of Interim Financial Statements**

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

The management of YANGAROO Inc. is responsible for the preparation of the accompanying unaudited condensed interim financial statements. The unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity’s auditor. These unaudited condensed interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

“Gary Moss”  
Gary Moss  
Chief Executive Officer

“Michael Galloro”  
Michael Galloro  
Chief Financial Officer

May 26, 2016

# YANGAROO Inc.

Unaudited Condensed Interim Statements of Financial Position

As at

(Expressed in Canadian dollars)

	March 31 2016	December 31 2015 (audited)
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 218,867	\$ 396,705
Accounts receivable	1,317,281	1,382,044
Prepaid and sundry assets	239,994	203,658
	<b>1,776,142</b>	<b>1,982,407</b>
Property and equipment	198,973	226,891
	<b>\$ 1,975,115</b>	<b>\$ 2,209,298</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables (note 5)	\$ 611,619	\$ 581,823
Loan payable (note 14)	100,000	-
Deferred revenue	14,438	28,188
Finance lease obligation	75,428	80,586
	<b>801,485</b>	<b>690,597</b>
Finance lease obligation	57,917	74,839
	<b>859,402</b>	<b>765,436</b>
<b>Shareholders' Equity</b>		
Share capital (note 6)	32,072,474	32,072,474
Warrant capital (note 8)	1,504,615	1,504,615
Contributed surplus	4,489,035	4,469,080
Deficit	(36,950,411)	(36,602,307)
	<b>1,115,713</b>	<b>1,443,862</b>
	<b>\$ 1,975,115</b>	<b>\$ 2,209,298</b>

Going concern (note 2(c))

Commitments and contingencies (note 10)

Subsequent event (note 17)

Approved by the Board

"Cliff Hunt"

Director

"Howard Atkinson"

Director

See accompanying notes, which are an integral part of these unaudited condensed interim financial statements

# YANGAROO Inc.

Unaudited Condensed Interim Statements of Comprehensive Loss

For the three months ended March 31

(Expressed in Canadian dollars)

	2016	2015
<b>Revenue (note 15)</b>	<b>\$ 1,347,149</b>	<b>\$ 1,242,491</b>
<b>Expenses</b>		
Salaries and consulting (note 7)	1,211,231	1,264,689
Marketing and promotion	125,074	120,928
General and administrative	200,272	287,508
Technology development	27,266	26,721
Depreciation of property and equipment	33,859	28,808
	<b>1,597,702</b>	<b>1,728,654</b>
<b>Loss from operations</b>	<b>(250,553)</b>	<b>(486,163)</b>
<b>Finance income (expenses)</b>		
Interest income	39	1,126
Interest expense	(7,117)	(2,214)
Foreign exchange gain (loss)	(84,840)	82,222
Financing costs	(5,633)	-
	<b>(97,551)</b>	<b>81,134</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (348,104)</b>	<b>\$ (405,029)</b>
<b>Basic and diluted loss per share</b> (note 9)	<b>\$ (0.006)</b>	<b>\$ (0.008)</b>

See accompanying notes, which are an integral part of these unaudited condensed interim financial statements

# YANGAROO Inc.

## Unaudited Condensed Interim Statements of Changes in Equity

For the three months ended March 31

(Expressed in Canadian dollars)

	Share capital	Warrant capital	Contributed surplus	Deficit	Total
Balance at December 31, 2014	\$31,498,041	\$2,230,254	\$3,540,016	\$(35,805,093)	\$1,463,218
Share-based payments (note 7)	-	-	82,981	-	82,981
Loss for the period	-	-	-	(405,029)	(405,029)
Balance at March 31, 2015	\$31,498,041	\$2,230,254	\$3,622,997	\$(36,210,122)	\$1,141,170
Private placement (note 6)	574,433	-	-	-	574,433
Expiry of warrants (note 8)	-	(725,639)	725,639	-	-
Share-based payments (note 7)	-	-	120,444	-	120,444
Loss for the period	-	-	-	(392,185)	(392,185)
Balance at December 31, 2015	\$32,072,474	\$1,504,615	\$4,469,080	\$(36,602,307)	\$1,443,862
Share-based payments (note 7)	-	-	19,955	-	19,955
Loss for the period	-	-	-	(348,104)	(348,104)
Balance at March 31, 2016	\$32,072,474	\$1,504,615	\$4,489,035	\$(36,950,411)	\$1,115,713

See accompanying notes, which are an integral part of these unaudited condensed interim financial statements

# YANGAROO Inc.

Unaudited Condensed Interim Statements of Cash Flows

For the three months ended March 31

(Expressed in Canadian dollars)

	2016	2015
<b>Cash flow used in operating activities</b>		
Net loss for the period	\$ (348,104)	\$ (405,029)
Items not affecting cash:		
Depreciation of property and equipment	33,859	28,808
Bad debt expense	-	687
Share-based payments	19,955	82,981
Unrealized foreign exchange loss (gain)	105,137	(77,616)
Changes in non-cash operating working capital:		
Accounts receivable	(26,163)	(10,275)
Prepaid and sundry assets	(36,336)	(34,501)
Trade and other payables	44,062	117,326
Deferred revenue	(13,750)	(125,335)
<b>Net cash used in operating activities</b>	<b>(221,340)</b>	<b>(422,954)</b>
<b>Cash flow used in investing activities</b>		
Acquisition of property and equipment	(5,940)	-
<b>Net cash used in investing activities</b>	<b>(5,940)</b>	<b>-</b>
<b>Cash flow from (used in) financing activities</b>		
Loan payable	100,000	-
Payment of finance lease obligation	(22,081)	(16,105)
<b>Net cash from (used in) financing activities</b>	<b>77,919</b>	<b>(16,105)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(149,361)</b>	<b>(439,059)</b>
<b>Effect of foreign exchange on cash</b>	<b>(28,477)</b>	<b>51,753</b>
<b>Cash and cash equivalents at January 1</b>	<b>396,705</b>	<b>712,729</b>
<b>Cash and cash equivalents at March 31</b>	<b>\$ 218,867</b>	<b>\$ 325,423</b>
<b>Cash interest paid</b>	<b>\$ 7,117</b>	<b>\$ 2,214</b>
<b>Capital lease additions</b>	<b>\$ -</b>	<b>\$ 21,916</b>

See accompanying notes, which are an integral part of these unaudited condensed interim financial statements

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months ended March 31, 2016 and 2015  
(Expressed in Canadian dollars)

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## 1. Nature of Operations

YANGAROO Inc. ("Company") is a technology company that is the provider of user friendly and secure business to business distribution of media via the Internet. The Company's patented Digital Media Distribution System (DMDS) is a secure B2B digital media management solution for the entertainment and advertising industries. DMDS is an end to end technology solution that provides a fully integrated work flow based digital distribution and data management solution. DMDS provides audio and video content for music, music videos, and advertising to television, radio, media, retailers, award shows and other authorized recipients with more accountable, effective, and far less costly digital distribution of broadcast quality media via the Internet.

YANGAROO Inc. is a publicly listed company incorporated on July 28, 1999 under the laws of Ontario as Musicrypt.com Inc. and changed to its present name on July 17, 2007. YANGAROO trades on the TSX Venture Exchange (TSX-V) under the symbol YOO and in the U.S. under OTCBB: YOOIF.

The address of the Company's corporate office and principal place of business is 18 Mowat Avenue, Toronto, Ontario M6K 3E8.

## 2. Basis of Preparation

### (a) Basis of compliance

These unaudited condensed interim financial statements were prepared using the same accounting policies and methods as those used in the Company's audited financial statements for the year ended December 31, 2015. These unaudited condensed interim financial statements are in compliance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), have been omitted. The preparation of these unaudited condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

These statements should be read in conjunction with the audited financial statements for the year ended December 31, 2015. These statements were approved by the Board of Directors on May 26, 2016.

### (b) Basis of measurement

The unaudited condensed interim financial statements have been prepared on the historical cost basis except certain financial instruments recorded at fair value through profit and loss. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy.

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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## 2. Basis of Preparation (continued)

### (b) Basis of measurement (continued)

The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

#### (i) Share-based payments

Share-based payments which include stock options granted to employees, officers and directors and warrants granted to agents, to the extent that they are not measured at the fair value of the services received, are based on the fair value at the date of the award. These share-based payments are valued using the Black-Scholes option pricing model, which includes inputs that require management's estimates and assumptions (notes 7 & 8).

#### (ii) Revenue recognition

The Company uses estimates to determine the percentage of completion of certain milestones for the awards management revenue stream. The Company also uses judgment in recognizing its licensing revenue.

#### (iii) Investment tax credits

The Company uses judgment to determine the reasonable assurance of collection and estimates the valuation of investment tax credits to be accrued.

#### (iv) Functional currency

The Company uses judgment to determine the Company's functional currency.

### (c) Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the three months ended March 31, 2016, the Company reported a net loss of \$348,104 (2015 - \$405,029) and used net cash in operating activities of \$221,340 (2015 - \$422,954). The Company's ability to continue as a going concern is dependent upon its ability to develop and maintain profitable operations or to obtain additional financing. However, there is no assurance that the outcome of these matters will be successful and, as a result, there are material uncertainties that cause significant doubt regarding the going concern assumption. To date, the Company has been successful raising capital and additional financing (notes 6 & 14).



# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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## 2. Basis of Preparation (continued)

### (c) Going concern (continued)

These financial statements do not give effect to any adjustments which would 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 financial statements. Such adjustments could be material.

## 3. Significant Accounting Policies

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards issued by the IASB or IFRS Interpretations Committee (“IFRIC”) that are applicable for accounting periods beginning after December 31, 2015, are as follows:

- IFRS 9 *Financial Instruments* was issued in final form in July 2014 by the IASB and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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## 3. Significant Accounting Policies (continued)

New standards and interpretations not yet adopted (continued)

- In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services.
- Effective for annual periods beginning on or after January 1, 2019, IFRS 16 Leases was issued by the IASB in January 2016 and will replace IAS 17 Leases. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. Earlier application is permitted only if the Company early adopts IFRS 15.

The Company is currently evaluating the impact of the above mentioned standards on financial statements.

## 4. Operating Line of Credit

The Company has available an operating line of credit of \$20,000. Borrowings under the operating line of credit are due on demand and bear interest at prime plus 2.5% per annum and are secured by a general security agreement. As of March 31, 2016, the Company had a balance outstanding of \$Nil (December 31, 2015 - \$Nil) on this line of credit.

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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## 5. Trade and Other Payables

	<b>March 31 2016</b>	December 31 2015 (audited)
Trade payables	<b>\$ 293,955</b>	\$ 280,581
Non-trade payables	<b>317,664</b>	301,242
	<b>\$ 611,619</b>	\$ 581,823

## 6. Share Capital

The Company is authorized to issue an unlimited number of common shares.

The following is a summary of changes in common share capital from January 1, 2015 to March 31, 2016:

	<b>Number of shares</b>	<b>Value</b>
Balance at December 31, 2014 and March 31, 2015	53,579,282	\$ 31,498,041
Issued for cash on May 21, 2015 <sup>(a)</sup>	2,609,166	574,433
<b>Balance at December 31, 2015 and March 31, 2016</b>	<b>56,188,448</b>	<b>\$ 32,072,474</b>

(a) The Company issued 2,609,166 shares at a price of \$0.24 per share for gross proceeds of \$626,200 by way of a private placement. Share issuance costs of \$51,767 have been netted against share capital in connection with the private placement.

## 7. Share-Based Payments

Under the Company's rolling stock option plan (the "Plan"), the Company is entitled to grant stock options to purchase up to 10% of the issued capital of the Company at the time of an applicable option grant.

The Plan was re-approved by the Company's shareholders at the Annual Meeting of the Shareholders held on August 13, 2015.

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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## 7. Share-Based Payments (continued)

The Company had issued stock options to acquire common shares as follows:

	Weighted average exercise price	Outstanding options	Vested options	Weighted average remaining life (years)
Balance at December 31, 2014	\$ 0.42	3,736,298	2,548,048	3.39
Granted	0.18	1,092,500		
Balance at March 31, 2015	\$ 0.37	4,828,798	2,917,548	3.52
Granted	0.18	5,000		
Expired	1.00	(40,000)		
Forfeited	0.20	(51,750)		
Balance at December 31, 2015	\$ 0.37	4,742,048	4,000,798	2.79
Granted	0.15	312,500		
Expired	1.00	(143,000)		
Forfeited	0.25	(131,250)		
<b>Balance at March 31, 2016</b>	<b>\$ 0.36</b>	<b>4,780,298</b>	<b>4,200,548</b>	<b>2.75</b>

For the three months ended March 31, 2016, the fair value of the options granted was \$41,951 (2015 - \$153,965).

The estimated fair value of the options is expensed over the vesting period. The options vest 10% on the date of grant, and the remaining 90% vest as to a third on each 6 month anniversary following the date of grant. The compensation expense and charge to contributed surplus relating to the stock options for the three months ended March 31, 2016 was \$19,955 (2015 - \$82,981). The fair value of all the Company's stock options was estimated using the Black-Scholes option pricing model. Stock options granted during the three months ended March 31, 2016 used the following assumptions:

	March 31 2016	March 31 2015
Volatility (based on historical share prices)	108%	109%
Risk-free interest rate	0.61%	0.79%
Expected life (years)	5.00	5.00
Dividend yield	Nil	Nil
Forfeiture rate	20%	10%
Underlying share price	\$0.15	\$0.18

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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## 7. Share-Based Payments (continued)

The Company had the following stock options outstanding at March 31, 2016:

Number of options	Number of non-vested options	Number of vested options	Exercise price	Expiry date
186,026	-	186,026	\$1.00	August 18, 2016
57,500	-	57,500	\$1.00	December 13, 2017
276,828	-	276,828	\$1.00	December 20, 2017
20,946	-	20,946	\$1.00	December 21, 2017
1,685,000	-	1,685,000	\$0.25	October 1, 2018
320,000	-	320,000	\$0.35	October 15, 2016
7,500	-	7,500	\$0.25	November 1, 2018
7,498	-	7,498	\$0.25	November 18, 2016
752,500	-	752,500	\$0.34	March 3, 2019
27,500	-	27,500	\$0.30	May 28, 2019
27,000	-	27,000	\$0.35	June 20, 2019
77,500	-	77,500	\$0.28	September 2, 2019
2,500	750	1,750	\$0.12	November 21, 2019
1,021,500	301,500	720,000	\$0.18	January 26, 2020
2,500	1,500	1,000	\$0.17	July 7, 2020
2,500	1,500	1,000	\$0.18	September 17, 2020
305,500	274,500	31,000	\$0.15	January 11, 2021
<b>4,780,298</b>	<b>579,750</b>	<b>4,200,548</b>	<b>\$0.36</b>	

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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## 8. Warrants

The Company had issued warrants to acquire common shares as follows:

	<b>Number of warrants</b>	<b>Amount</b>	<b>Weighted average exercise price</b>
Balance at December 31, 2014 and March 31, 2015	13,418,156	\$ 2,230,254	\$ 0.48
Warrants expired	(687,565)	(151,264)	1.00
Warrants expired	(1,850,000)	(396,085)	1.00
Warrants expired	(630,000)	(178,290)	1.00
<b>Balance at December 31, 2015 and March 31, 2016</b>	<b>10,250,591</b>	<b>\$ 1,504,615</b>	<b>\$ 0.32</b>

The Company had the following warrants outstanding and exercisable at March 31, 2016:

<b>Number of warrants</b>		<b>Exercise price</b>	<b>Expiry date</b>
6,200,000	(i)	\$0.35	September 30, 2016
443,200	(ii)	\$0.25	October 7, 2016
2,382,726	(iii)	\$0.25	October 7, 2016
336,364	(iv)	\$0.35	October 7, 2016
534,567	(v)	\$0.30	May 30, 2016
283,734	(vi)	\$0.30	June 11, 2016
70,000	(vii)	\$0.30	August 25, 2016
<b>10,250,591</b>			

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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## 8. Warrants (continued)

- (i) These warrants were issued as part of the private placement of units. The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 114%; (III) a risk free rate of 1.40%; and (IV) an expected life of 3 years.
- (ii) These warrants were issued to agents as part of the private placement of units. The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 114%; (III) a risk free interest rate of 1.40% and (IV) an expected life of 3 years.
- (iii) These warrants were issued as part of the amended debenture agreements. The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 115%; (III) a risk free interest rate of 1.39% and (IV) an expected life of 3 years.
- (iv) These warrants were issued to advisors in connection with the shares for debt transaction and debenture amendment. The fair value of the warrants issued was based on the advisory agreement with FMMC.
- (v) These warrants were issued to agents as part of the private placement (note 6). The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 98%; (III) a risk free interest rate of 1.05% and (IV) an expected life of 2 years.
- (vi) These warrants were issued to agents as part of the private placement (note 6). The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 97%; (III) a risk free interest rate of 1.07% and (IV) an expected life of 2 years.
- (vii) These warrants were issued to agents as part of the private placement (note 6). The fair value of the warrants issued were estimated at the date of grant using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 95%; (III) a risk free interest rate of 1.09% and (IV) an expected life of 2 years.

Except where noted above, warrants issued to agents and related to financings were not measured at the fair value of the services received as the fair value of such services was not reliably measurable.

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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## 9. Basic and Diluted Loss per Share

	<b>March 31 2016</b>	March 31 2015
Numerator:		
Net loss and comprehensive loss for the period	<b>\$ (348,104)</b>	\$ (405,029)
Denominator:		
Weighted average number of common shares	<b>56,188,448</b>	53,579,282
Basic and diluted loss per share	<b>\$ (0.006)</b>	\$ (0.008)

For the above-mentioned periods, the Company had securities outstanding which could potentially dilute basic loss per share in the future, but were excluded from the computation of dilutive net loss per share in the periods presented, as their effect would have been anti-dilutive. Such outstanding securities consist of the following:

	<b>March 31 2016</b>	March 31 2015
Options	<b>4,780,298</b>	4,828,798
Warrants	<b>10,250,591</b>	13,418,156

## 10. Commitments and Contingencies

### (a) Litigation

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.



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## 10. Commitments and Contingencies (continued)

### (b) Leases

Total future annual lease payments for the premises are as follows:

2016	\$ 69,113
2017	69,113
	<u>\$ 138,226</u>

## 11. Capital Risk Management

The Company includes equity comprised of share capital, warrant capital, contributed surplus, and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further develop and market its digital media distribution systems, and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants, debt or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the three months ended March 31, 2016.

## 12. Related Party Transactions

Key management personnel are comprised of the Company's directors and executive officers. In addition to their salaries, key management personnel also participate in the Company's share option program (note 7).

Key management personnel compensation is as follows for the three months ended:

	<b>March 31 2016</b>	March 31 2015
Salaries and short-term employee benefits <sup>(i)</sup>	<b>\$ 206,747</b>	\$ 205,747
Share-based payments	<b>12,249</b>	73,888
	<b>\$ 218,996</b>	\$ 279,635

<sup>(i)</sup> Short-term employee benefits include bonuses and vacation pay

During the three months ended March 31, 2016, legal fees of \$Nil (2015 - \$12,890) were incurred to a law firm of which one partner was a Director of the Company.

# YANGAROO Inc.

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## 13. Financial Instruments

The following table summarizes the carrying values of the Company's financial instruments. The fair values of financial instruments approximate their carrying values because of their current nature.

	<b>March 31 2016</b>	December 31 2015
Fair value through profit or loss (i)	<b>\$ 218,867</b>	\$ 396,705
Loans and receivables (ii)	<b>\$ 1,317,281</b>	\$1,382,044
Other financial liabilities (iii)	<b>\$ 844,964</b>	\$ 737,248

- (i) Cash and cash equivalents
- (ii) Accounts receivable excluding HST
- (iii) Trade and other payables, finance lease obligation, and loan payable

## 14. Loan Payable

On December 14, 2015, the Company entered into a Credit Facility Agreement (the "Agreement") with Espresso Capital Investment Fund IV Limited Partnership ("Espresso"), whereby Espresso will provide the Company with a revolving credit facility (the "Credit Facility") of up to the lesser of \$500,000 and the Authorized Credit Amount (as defined in the Agreement). The Credit Facility may be drawn down in one or more tranches in the Company's discretion subject to a minimum amount to be drawn on or before January 31, 2016.

The Credit Facility will be used, if necessary, to fund working capital requirements. Amounts drawn down under the Credit Facility will bear interest at the rate of 1.5% per month from the date of each advance, with a minimum interest amount payable with respect to each advance. Further, a fee for each advance will be payable to Espresso. Subject to early termination, the Credit Facility will mature on December 31, 2017. A general security agreement (the "GSA") was issued by the Company in favour of Espresso to secure the Credit Facility.

On January 26, 2016, the Company withdrew \$100,000 from the Credit Facility.

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months ended March 31, 2016 and 2015  
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## 15. Segmented Information

The Company provides digital media distribution and data management solutions to customers across multiple geographic regions. It considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker is the CEO of the Company. The operating segments are based on the regional geographic areas. Specifically for revenues, the amounts included are from the originating country. Below is the breakdown of revenue by operating segment.

<b>For the three months ended March 31, 2016</b>	<b>Canada</b>	<b>US</b>	<b>Other</b>	<b>Total revenue</b>
Advertising	\$ 103,831	\$ 540,575	\$ -	\$ 644,406
Entertainment				
Music <sup>(i)</sup>	161,424	278,293	-	439,717
Awards management	87,125	175,901	-	263,026
Licensing	-	-	-	-
	<b>248,549</b>	<b>454,194</b>	<b>-</b>	<b>702,743</b>
<b>Total revenue</b>	<b>\$ 352,380</b>	<b>\$ 994,769</b>	<b>\$ -</b>	<b>\$ 1,347,149</b>
<b>For the three months ended March 31, 2015</b>	<b>Canada</b>	<b>US</b>	<b>Other</b>	<b>Total revenue</b>
Advertising	\$ 58,739	\$ 498,506	\$ -	\$ 557,245
Entertainment				
Music <sup>(i)</sup>	170,695	248,189	592	419,476
Awards management	75,988	65,667	-	141,655
Licensing	-	-	124,115	124,115
	<b>246,683</b>	<b>313,856</b>	<b>124,707</b>	<b>685,246</b>
<b>Total revenue</b>	<b>\$ 305,422</b>	<b>\$ 812,362</b>	<b>\$ 124,707</b>	<b>\$ 1,242,491</b>

<sup>(i)</sup> Music includes audio/video delivery and subscription fees

# **YANGAROO Inc.**

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## **16. Comparative Figures**

Certain comparative figures have been reclassified to conform to the current period's presentation.

## **17. Subsequent Event**

On May 25, 2016, the Company withdrew \$100,000 from the Credit Facility.