YANGAROO Inc.
September 30, 2011
Management's Discussion and Analysis ("MD&A")
Date: November 8, 2011

Introduction

Unless the context suggests otherwise, references to "YANGAROO", "the Company" or similar terms refer to YANGAROO Inc.

This MD&A is a discussion and review of operations, current financial position and outlook for YANGAROO and should be read in conjunction with the financial statements and related notes for the period ended September 30, 2011 and the year ended December 31, 2010.

Review and Approval by the Board of Directors

The Board of Directors, on recommendation of the Audit Committee, approved the content of this MD&A on November 8, 2011. Disclosure contained in this document is current to this date, unless otherwise stated.

Forward Looking Information

Our reporting structure reflects how we manage our business and how we classify our operations for planning and for measuring our performance. This MD&A contains assertions about the objective, strategies, financial conditions, and results of operations. These statements are considered "forward-looking" because they are based on current expectations of our business, on the markets we operate in, and on various estimates and assumptions.

These forward-looking statements describe our expectations at November 8, 2011. Our actual results could be materially different from our expectations if known or unknown risks affect our business, nor if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statements will materialize. Forward-looking statements do not take into account the effects that transactions or non-recurring items, announced or occurring after the statements are made, may have on our business. We disclaim any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available through future events of for any other reason. Risks that could cause our actual results to differ materially from our current expectations are stated in the Risk Management section.

Description of Business

YANGAROO's patented Digital Media Distribution System (DMDS) is a leading secure B2B digital delivery solution for the music and advertising industries. DMDS is a Web-based delivery system that pioneers secure digital file distribution by incorporating biometrics, high-value encryption and watermarking. DMDS replaces the physical distribution of 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 delivery of broadcast quality media via the Internet.

Named one of Canada's Top 100 Tech Companies for 2009 by Canadian Business, YANGAROO has offices in Toronto, New York, Dallas, and Los Angeles.

Results of Operations

Understanding Results of Operations – Accounting Standards

The Company adopted IFRS in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") with a transition date to IFRS of January 1, 2010. Consequently, the comparative figures for 2010 and the Company's statement of financial position as at January 1, 2010 have been restated from accounting principles generally accepted in Canada ("GAAP") to comply with IFRS. The first reporting period for the Company is for the three month period ended March 31, 2011. Complete details of the transition to IFRS are included in the Company's unaudited three month ended March 31, 2011 interim financial statements.

Summary of Quarterly Results

The following table sets out selected unaudited financial information, presented in Canadian dollars. The information is prepared in accordance with IFRS except for the 2009 information which was prepared in accordance with Canadian GAAP as indicated in the table below.

	2011 Q3	2011 Q2	2011 Q1	2010 Q4
Working capital	$ (4,033,380)	$ (3,375,283)	$ (1,238,374)	$ (345,229)
Sales	$ 410,360	$ 307,976	$ 275,799	$ 252,939
Expenses	$ 1,128,839	$ 2,547,909	$ 1,632,370	$ 2,879,606
Loss for the period	$ 718,479	$ 2,239,933	$ 1,356,571	$ 2,626,667
Loss per share (basic & diluted)	$ 0.01	$ 0.02	$ 0.01	$ 0.02

				Not restated for IFRS
	2010 Q3	2010 Q2	2010 Q1	2009 Q4
Working capital	$ 590,111	$ 4,698	$ 28,889	$ 88,588
Sales	$ 171,729	$ 196,534	$ 185,290	$ 175,613
Expenses	$ 1,162,655	$ 975,486	$ 879,242	$ 1,111,065
Loss for the period	$ 990,926	$ 778,952	$ 693,952	$ 935,452
Loss per share (basic & diluted)	$ 0.01	$ 0.01	$ 0.01	$ 0.01

Revenue

The Company saw significant growth from all divisions led by new business generated by DMDS Advertising. Ad revenues resulted from the delivery of SD and HD spots to television broadcasters led by Horizon Media in the U.S., plus new revenues coming from other advertising groups including activity in the Canadian market.

Entertainment Division revenues were up sharply, growing over 92% from the same period in 2010. This growth is a result of increased use of DMDS for music video delivery and music audio delivery in North America. Adding to this were music audio delivery revenues from Australia, and the profitable expansion of the DMDS Awards Management business.

	2011 Q3	**2010 Q3**	**$ Change**	**% Change**
Advertising	$ 80,723	$ 0	$ 80,723	100%
Music audio	181,551	139,710	41,841	30%
Music video	76,716	9,745	66,971	687%
Awards management	71,370	22,274	49,096	220%
	$ 410,360	$ 171,729	$ 238,631	139%

Operating Expenses

Total operating expenses for the period ended September 30, 2011 decreased by 17% compared to the same period in fiscal 2010 to $928,588 (2010 - $1,116,978). The main contributor to the change was a decrease in general and administrative expense of 59% ($217,132). This change also reflects a decrease in marketing and promotion expense of 51% ($35,107), a decrease in technology development expense of 172% ($12,438) and a decrease of amortization of intangible assets of 100% ($130,982) over the same quarter in the prior year. The decrease was partially offset by an increase in salaries and consulting of 40% ($207,945) over the prior year. The 17% change reflects the Company's cost cutting initiative that began in late fiscal 2010.

(i) Salaries and Consulting

Salaries and consulting expense for the three month period ended September 30, 2011 ($731,590) increased 40% ($207,945) over the same period in the prior year (2010 - $523,645). The primary reason for the change was the continuous expansion of the advertising department, which accounted for 63% ($130,892) of the total increase of salaries and consulting expense. The technology development department incurred an increase in costs of $70,216, which accounted for 34% of the total increase in salaries and consulting as a result no longer capitalizing the salaries and consulting expense for the technology development. The Company also added personnel to its administration department, resulting in an increase of $38,940. Finally, personnel changes in the operations department caused an increase of $16,444 offsetting this increase was a decrease of $48,547 in the entertainment department which the Company renegotiated compensation agreements with existing consultants and by not providing special compensation through warrants as was done in the third quarter of 2010.

(ii) General and Administrative

General and administrative expense for the three month period ended September 30, 2011 ($33,878) decreased by 59% ($217,132) over the same period in the prior year (2010- $68,985). The change was primarily due to decreases in recruitment charges, legal fees, investor relations and rental costs. The decrease was partially offset by an increase of production costs for the advertising deliveries.

(iii) Research and Development

Technology development expense for the three month period ended September 30, 2011 decreased by 172% ($12,438) over the same period in the prior year (2010 - $7,247). This decrease is due to an adjustment in the investment tax credit which occurred in third quarter of 2011.

(iv) Marketing and Promotion

Marketing and promotion expense for the three month period ended September 30, 2011 ($33,878) decreased by 51% ($35,107) over the same period in the prior year (2010 - $68,985) as a result of a decrease in public relations and advertising expenses.

Net Loss

The net loss for the three months ended September 30, 2011 is $718,479. The balance shrunk by 27% ($272,447) from the same period in the prior year (2010 $990,926).

Liquidity, Capital Resources and Financing

At September 30, 2011, the Company has cash and cash equivalents balance of $558,416 and a negative working capital of $4,033,380.

The Company will continue to invest funds in building its business to achieve key market and growth targets. The Company's operations are not yet generating positive cash flow, so in future the Company will need to source additional funds in order to fulfil its business objectives. While the Company believes it will be able to secure sufficient funding to carry out its business plans, insufficient capital will affect its ability to pursue its marketing and business development strategies.

Outstanding Share Data

The following securities were outstanding as at September 30, 2011:

Common shares	131,569,119
Stock options	11,737,761
Warrants	33,379,000

Outlook

Our outlook for the next 12 months continues to be positive. Our business continues to execute on the key metrics essential to our success. We continue to grow revenues at a faster rate than costs.

The music delivery business continues to generate more revenues as we now deliver more new releases for more labels to more destinations than we did last year. We see our core digital distribution business for music audio and video delivery continuing to grow revenues as we continue to serve all of the major labels in Canada while expanding our market share of the major music label business in the U.S. and Internationally. We will also continue to expand our service to the very lucrative independent music artist vertical, and our DMDS Award Show platform, now profitable, continues to grow.

We are aggressively managing our cost structure to ensure that we focus the majority of our resources on profitable growth and continue to direct our operating expenses toward revenue generating activities. In September we invested in an experienced sales professional in the New York City area to focus on ramping-up our advertising revenues. As a result, our advertising revenues and forecast pipeline continues to ramp-up. The revenue growth in our Entertainment business virtually covered our investment in the high growth potential advertising segment. We will continue to accelerate our growth in our Entertainment business while we also focus on monetizing the investments made in taking advantage of the large and very profitable opportunity we see in our advertising business.

The investment made in DMDS 5.0 will continue to be monetized as will the investment made in our advertising content distribution network. Given our technical advantage and good business relationships, we believe this continues to represent considerable profitable revenue growth opportunities.

Our advertising destination footprint is now well over 2,500 TV broadcast destinations in the U.S. and Canada. This is up from 1500 just 3 months ago. This is another example of how our resources are now being spent on activities that will yield positive results. Our attention is now focused on expanding our relationships with Horizon Media and The Gary Group, and bringing additional advertising agencies on board with DMDS. By gaining minimal share in this large and lucrative market we believe we have the opportunity to improve our bottom line significantly over the next few months.

We have also begun discussion with a number of potential key strategic partners interested in licensing our technology for various applications. Although very preliminary, they do hold promise for us to grow revenues quickly.

Off Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Conversion to International Financial Reporting Standards

The Company adopted IFRS effective January 1, 2011. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles for publically accountable profit oriented enterprises. For additional information on the conversion to IFRS, see the March 31, 2011 period ended MD&A and the unaudited financial statements accompanying this MD&A.

Critical Accounting Estimates

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the financial results of the Company. Such estimates and assumptions affect the carrying value of assets and impact decisions as to when and development costs should be capitalized or expensed.

Other significant estimates made by the Company include factors affecting valuations of stock based compensation. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

Future Accounting Standards

The IFRS Board periodically issues new standards and amendments or interpretations to existing standards. The following accounting standards, amendments and interpretations have been issued but are not yet effective for the Company. Management is currently assessing the impact of the new standards on the Company's accounting policies and financial statement presentation.

(i) IFRS 9 *Financial Instruments* was issued by the IASB in October 2010 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 is effective for annual periods beginning on or after January 1, 2013. The IASB has proposed to move the effective date of IFRS 9 to January 1, 2015.

(ii) IFRS 10 *Consolidated Financial Statements* was issued by the IASB in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation—Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements* and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iii) IFRS 11 *Joint Arrangements* was issued by the IASB in May 2011. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iv) IFRS 12 *Disclosure of Interests in Other Entities* was issued by the IASB in May 2011. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(v) IFRS 13 *Fair Value Measurement* was issued by the IASB in May 2011. IFRS 13 establishes new guidance on fair value measurement and disclosure requirements for IFRSs and US generally accepted accounting principles (GAAP). The guidance, set out in IFRS 13 and an update to Topic 820 in the FASB's Accounting Standards Codification (formerly referred to as SFAS 157), completes a major project of the boards' joint work to improve IFRSs and US GAAP and to bring about their convergence. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(vi) IAS 1 *Presentation of Financial Statements* was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

Risk Management

The Company is exposed to a variety of risks, including, but not limited to the risks set out below. The Company considers these risks the most significant to potential investors, but not all of the risks associated with an investment in securities of Yangaroo Inc.

Financial risks

- Fluctuations in currency exchange and interest rates
- Credit risk
- Cash flows and uncertainty of additional funding requirements
- Global financial conditions

Operational risks

- Dependent on the internet as a medium for business and communication
- The lack of a defined market for our product
- Online commerce security
- The ability to generate revenue and control operating costs
- Lack of profitability
- Contingencies

Non-Financial Risks

- Heavily relying on upper management
- Management of growth
- Competition risks
- Availability and dependence on management and outside advisors
- Price and public volatility of public stock

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Scott R. Wambolt	*Chief Executive Officer& President*
Howard Atkinson	*Member of Audit Committee and Compensation Committee*
Justin D. C. LaFayette	*Member of Audit Committee and Compensation Committee*
Anthony Miller	*Member of Audit Committee and Compensation Committee (Chairman)*
Gary Moss	*Member of Audit Committee (Chairman) and Compensation Committee*

Officers

Scott R. Wambolt	*Chief Executive Officer& President*
Clifford G. Hunt	*Chairman, Chief Operating Officer& Secretary*
Michael Galloro	*Chief Financial Officer*
Richard Klosa	*Chief Technology Officer*
Karen R. Dealy	*President, US Advertising Operations*

Stock Exchange Listing

TSX Venture Exchange	*Stock Symbol – YOO*
OTCBB	*Stock Symbol – YOOIF*

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