YANGAROO Inc.
For the three months ended March 31, 2014
Management's Discussion and Analysis

Introduction

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

This Management's Discussion and Analysis ("MD&A") is a discussion and review of operations, current financial position and outlook for YANGAROO and should be read in conjunction with the condensed unaudited interim financial statements and related notes for the three months ended March 31, 2014 and the audited year ended December 31, 2013.

Use of Non-IFRS Financial Measure

The following non-IFRS definition is used in this MD&A because management believes that it provides useful information regarding the Company's ongoing operations. Readers are cautioned that the definition is not a recognized measure under IFRS, does not have a standardized meaning prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings determined in accordance with IFRS or as an indicator of performance, liquidity or cash flows. The Company's method of calculating this measure may differ from the method used by other entities and accordingly the measure may not be comparable to a similarly titled measure used by other entities or in other jurisdictions.

Adjusted EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, and other nonrecurring items. Adjusted EBITDA is derived from the statements of comprehensive loss, and can be computed as revenues less salaries and consulting expenses and property, technology, marketing and administration expenses. The Company believes adjusted EBITDA is a useful measure because it provides information to both management and investors with respect to the operating and financial performance of the Company.

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 May 27, 2014. Disclosure contained in this document is current to this date, unless otherwise stated.

Forward Looking Information

The Company’s reporting structure reflects how it manages its business and how it classifies its operations for planning and for measuring its 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 the Company’s business, in those markets in which it operates, and on various estimates and assumptions.

These forward-looking statements describe the Company’s expectations at May 27, 2014. The Company’s actual results could be materially different from its expectations if known or unknown risks affect the business, or if the Company’s estimates or assumptions turn out to be inaccurate. As a result, the Company 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 the business. The Company disclaims any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available through future events or for any other reason. Risks that could cause the Company’s actual results to differ materially from its 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 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 replaces the physical and less effective proprietary hardware/software distribution solutions. 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 also offers comprehensive asset management and post production services to clients in the music and advertising industries.

Corporate Activities

On January 7, 2014, the Company announced another hire within the Advertising Division with Susan Romanowski joining as the Director, Sales. Romanowski is responsible for overseeing the continued growth of business within the Broadcast & Direct Response Agencies, Production Houses & Content Producers segments. She will be based in YANGAROO's recently established New York City office.

On March 5, 2014, the Company announced that it had granted a total of 852,500 stock options effective March 3, 2014 to certain directors, officers and employees of the Company pursuant to the Company's stock option plan. The options are exercisable at a price of $0.34 per share. The options will expire five years following the date of grant.

On March 6, 2014, the Company announced that it had entered into a multi-year agreement with The Canadian Country Music Association (CCMA) to enable online awards management services for the Canadian Country Music Association Awards and Country Music Week Showcases.

On April 2, 2014, the Company announced that it had partnered with a group headed by Federation X Holdings headquartered in Malmo, Sweden and its affiliate, Music2Be based in London, UK. This group will provide YANGAROO's industry leading digital delivery service to record labels, independent artists and promoters to deliver broadcast quality music audio and music video files to radio and television broadcasters and other destinations throughout the European Union plus Norway and Switzerland.

On May 5, 2014, the Company announced, subject to regulatory approvals, a brokered private placement to raise a minimum of $1,500,000 and up to $3,000,000 through the issuance of a minimum of 5,000,000 and up to 10,000,000 common shares at a price of $0.30 per share. The proceeds of the private placement will be used primarily for the retirement of the entire outstanding indebtedness of YANGAROO under previously issued debentures. There is no penalty clause in the debenture agreement for the early retirement of the issued debentures. The outstanding principal and accrued interest as calculated on the final closing date will be $2,320,687.94. The balance of the proceeds will be used for working capital and focused on accelerating growth in the Advertising Division.

YANGAROO has engaged Global Maxfin Capital Inc. to act as lead agent in connection with the private placement. YANGAROO will pay to the agent, and any and all sub-agents and/or finders, a total of 7% cash compensation and 7% in compensation options based on that portion of the proceeds raised by the agent, sub-agent and/or finders. The compensation options entitle the holder to subscribe for common shares of the Company on the same terms as the private placement, being $0.30 per share, for a period of 24 months from closing. All the securities issuable will be subject to a four-month hold period from the date of issuance. The private placement is subject to the approval of the TSXV.

On May 14, 2014, the Company announced it will provide a cloud-based platform to Cablevision Media Sales Corporation (CMS) that allows advertisers to deliver their television ads to the media company. With more than 200 file formats available, this new portal provides seamless delivery of multiple types of media formats in a fast, secure, and cost-effective way. In addition, the commercial content can be disseminated to all of the properties represented by or affiliated with CMS, including the New York Interconnect, News 12, and regional and local cable systems—making it a powerful and easily accessible method for advertisers to deliver their commercial content.

Results of Operations

Summary of Quarterly Results

The following table sets out selected financial information, presented in Canadian dollars. The information is prepared in accordance with IFRS:

	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Working capital	$ (1,213,430)[1]	$ 1,244,070	$ 1,234,958	$ 304,656
Sales	$ 899,612	$ 1,059,481	$ 836,155	$ 835,751
Expenses	$ 1,394,493	$ 3,141,124	$ (458,126)	$ 1,134,051
Loss (income) for the period	$ 494,881	$ 2,081,643	$ (1,294,281)	$ 298,300
Reconciling items:				
Interest income	$ 1,527	$ 2,267	$ 11	$ 32
Interest expense	$ (76,852)	$ (77,138)	$ (205,163)	$ (219,245)
Depreciation and amortization of intangibles	$ (17,322)	$ (14,635)	$ (21,549)	$ (20,015)
Gain (loss) on extinguishment	$ -	$ (1,872,251)	$ 1,669,880	$ -
Legal fees re: refinancing	$ -	$ -	$ -	$ -
Adjusted EBITDA loss	$ (402,234)	$ (119,886)	$ (148,898)	$ (59,072)
Loss (income) per share (basic & diluted)	$ 0.01	$ 0.05	$ (0.08)	$ 0.02

[1] Debentures were re-classed from long term liabilities to current liabilities resulting in a working capital deficiency in Q1 2014. See Corporate Activities.

	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Working capital	$ 385,759	$ 579,767	$ (5,741,021)	$ (5,331,876)
Sales	$ 763,103	$ 761,280	$ 752,760	$ 629,352
Expenses	$ 1,307,875	$ 1,161,859	$ 1,206,733	$ 1,339,243
Loss (income) for the period	$ 544,772	$ 400,579	$ 453,973	$ 709,891
Reconciling items:				
Interest income	$ 286	$ 1,155	$ -	$ 67
Interest expense	$ (204,127)	$ (204,903)	$ (240,454)	$ (479,320)
Depreciation and amortization of intangibles	$ (19,703)	$ (17,776)	$ (16,577)	$ (16,932)
Gain (loss) on extinguishment	$ -	$ -	$ -	$ -
Legal fees re: refinancing	$ -	$ -	$ (21,421)	$ -
Adjusted EBITDA loss	$ (321,228)	$ (179,055)	$ (175,521)	$ (213,706)
Loss (income) per share (basic & diluted)	$ 0.03	$ 0.03	$ 0.03	$ 0.05

Adjusted EBITDA

In the quarter ended March 31, 2014, the Company's adjusted EBITDA loss increased by $81,006 (25%) year over year and increased by $282,348 (236%) compared to the quarter ended December 31, 2013. The increase from prior year was mainly due to higher salaries and consulting expenses incurred to meet the continuous growth of the Company. The increase from prior quarter was also due to increased salaries and consulting expenses and a decrease in Awards Management revenue resulting from seasonal variances in the current period. The increase in expenses are directly related to building the revenue generating infrastructure, namely, sales personnel and related travel costs. These expenditures are expected to produce results, with the signing of 22 advertising clients so far this year, once the onboarding process has been completed.

Adjusted Normalized EBITDA

In 2013, the Company began tracking adjusted normalized EBITDA. This excludes the impact of any non-recurring and non-cash operating expenses therefore representing normalized cash flows from operations.

	Q1 2014	**Q4 2013**	**Q3 2013**	**Q2 2013**	**Q1 2013**
Adjusted EBITDA loss	$ (402,234)	$ (119,886)	$ (148,898)	$ (59,072)	$ (321,228)
Reconciling items:					
Stock option expenses	$ 149,780	$ 150,236	$ 3,582	$ (8,357)	$ 132,482
One-time bonus payment	$ -	$ -	$ 30,000	$ -	$ -
Financing related expenses	$ -	$ 15,000	$ 39,726	$ -	$ -
Foreign exchange (gain)/loss	$ (29,912)	$ (16,129)	$ 13,340	$ (10,946)	$ (9,430)
Adjusted normalized EBITDA loss	$ (282,366)	$ 29,221	$ (62,250)	$ (78,375)	$ (198,176)

In the quarter ended March 31, 2014, the Company's adjusted normalized EBITDA loss increased by 42% ($84,190) year over year and increased by 1066% ($311,587) compared to the quarter ended December 31, 2013. The reasons for the increases are consistent with those of the adjusted EBITDA discussed above.

Revenue

The Company saw year on year growth in the three month period ended March 31, 2014 from both divisions. Total revenue of $899,612 was the result of growth in both the Advertising and Entertainment Divisions resulting in an 18% ($136,509) increase in revenue over the same period in 2013. Total revenue for the three months ended March 31, 2014 decreased by 15% ($159,869) from the previous quarter (December 31, 2013 - $1,059,481).

	Q1 2014	**Q1 2013**	**$ Change**	**% Change**
Advertising Division	$ 324,099	$ 249,744	$ 74,355	30%
Entertainment Division	$ 575,513	$ 513,359	$ 62,154	12%
Total Revenue	$ 899,612	$ 763,103	$ 136,509	18%

(i) Advertising

YANGAROO earned revenue of $324,099 in the quarter, which marked a 30% ($74,355) increase over the same period in 2013 (March 31, 2013 - $249,744) and a 2% ($5,139) increase in revenue from the previous quarter (December 31, 2013 - $318,960).

During the current period, the Advertising Division continued to grow compared to prior year and prior quarter, with increased usage by new and existing YANGAROO users: broadcasters, agencies and production houses.

(ii) Entertainment

Entertainment Division revenues continued to grow with a 12% ($62,154) increase in the quarter over the same period in 2013 (March 31, 2013 - $513,359). The increase results from the increase in music video and awards show revenue.

Entertainment Division revenues decreased by 22% ($165,008) over those in the previous quarter (December 31, 2013 - $740,521). The decrease in revenues from the prior quarter is mainly due to seasonal differences in the Awards Management platform. The recognition of revenue from individual award shows, within a quarter, creates quarterly variances.

Operating Expenses

Total operating expenses for the three months ended March 31, 2014 was $1,349,080 which increased by 22% ($245,046) over the same period in fiscal 2013 (March 31, 2013 - $1,104,034). Total operating expenses increased by 13% ($155,078) from the previous quarter (December 31, 2013 - $1,194,002).

	Q1 2014	Q1 2013	$ Change	% Change
Salaries and Consulting	$ 1,065,774	$ 775,941	$ 289,833	37%
General and Administration	$ 191,603	$ 224,777	$ (33,174)	(15)%
Marketing and Promotion	$ 143,750	$ 72,632	$ 71,118	98%
Technology Development (Recovery)	$ (69,369)	$ 10,981	$ (80,350)	(732)%
Depreciation and Amortization of Intangibles	$ 17,322	$ 19,703	$ (2,381)	(12)%
Total Operating Expenses	$ 1,349,080	$ 1,104,034	$ 245,046	22%

(i) Salaries and Consulting

Salaries and consulting expense for the three months ended March 31, 2014 was $1,065,774. This balance marked a 37% ($289,833) increase over the same period in the prior year (March 31, 2013 - $775,941) and an 18% ($158,832) increase from the previous quarter (December 31, 2013 - $906,942). The increase from prior year and prior quarter was due to an increase in sales and customer support personnel required due to the ongoing expansion of the Company and an increase in consultant costs incurred for technology development projects in the current period.

(ii) General and Administrative

General and administrative expense for the three months ended March 31, 2014 was $191,603, which decreased by 15% ($33,174) over the same period in the prior year (March 31, 2013 - $224,777) and increased by 12% ($20,692) from the previous quarter (December 31, 2013 – $170,911). The decrease from prior year was mainly due to lower production and delivery costs resulting from a change in service provider. The increase from prior quarter was due to increased production costs resulting from greater activities in the Advertising Division in the current quarter.

(iii) Marketing and Promotion

Marketing and promotion expense for the three months ended March 31, 2014 increased by 98% ($71,118) from $72,632 for the quarter ended March 31, 2013 to $143,750 for the period ended March 31, 2014. This expense increased by 56% ($51,317) from the previous quarter (December 31, 2013 - $92,433). The increase from prior year and prior quarter was mainly due to higher travelling costs incurred by advertising staff, which was required to support the expansion of the Advertising Division. The increase was also due to greater advertising and sponsorship costs in the current period.

(iv) Technology Development (Recovery)

For the three months ended March 31, 2014, there was a recovery of $69,369. The current period recovery was a decrease in technology development expense of 732% ($80,350) over the same period in the prior year (March 31, 2013 – expense of $10,981), and a decrease of 864% ($78,450) from the previous quarter (December 31, 2013 – expense of $9,081). The decrease from prior year and prior quarter was due to cost recoveries from government funding for technology development projects in the current period.

Net Loss

The Company saw a decrease in net loss for the current period to $494,881 representing a 9% ($49,891) decrease from the same period in the prior year (March 31, 2013 - $544,772). The current period net loss represents a 76% ($1,586,762) decrease from the previous quarter (December 31, 2013 – $2,081,643). The decrease from prior year is mainly due to the increase in revenue and decrease in debenture interest expense in the current period. The decrease from prior quarter was due to a significant loss on extinguishment of debt that was recorded in the prior period.

Outlook

The first quarter of 2014 has been a transitional one for YANGAROO. While revenue in the core advertising and music divisions continued to grow year on year, seasonality in the awards show revenue resulted in an expected decline over the prior quarter. Despite the short term fluctuation, the business development activity in the first quarter is setting up the balance of 2014 well. The Company is pleased to highlight the following activities:

- 22 advertising clients have been signed year to date. Revenue from these clients has not yet commenced in a material way, but will result in increased revenue in the second half of this year. There are also many active proposals in the market place which gives reason to believe that the momentum of signings will continue.
- On May 14, 2014, the Company announced it will provide a cloud-based platform to Cablevision Media Sales Corporation (CMS) that allows advertisers to deliver their television ads to the media company. This deal has significant strategic value. Not only is it the first revenue producing deal with a broadcaster, it also changes the relationship with CMS, from one of technical support, to that of customer and sales support. See Corporate Activities.

The sales momentum in the Advertising Division, combined with ongoing growth in the Entertainment Division will result in the significant year on year sales growth that the Company expects.

As at May 23, 2014, the Company had cash and cash equivalents balance of $413,951 and a working capital deficiency of $1,451,190. During fiscal 2013, the Company underwent a comprehensive restructuring exercise. This included raising growth capital, reducing debt levels, amending the terms of a portion of the residual debt and consolidating the common shares on a 10 for 1 basis. YANGAROO believes the end result of the debt restructuring will position the Company structurally for the future and will ultimately create a balance sheet that enables value creation for its shareholders.

The Company will continue to invest funds in building its business to achieve key market and growth targets. Currently, the Company's operations are not yet generating positive cash flow. The Company may have to raise additional capital to fund operations until such point that revenues from their technology are able to fund operations. See Going Concern.

Share Capital

The following securities were outstanding as at May 27, 2014:

Common shares	40,089,279
Warrants	12,897,055
Stock options - Non vested	2,156,750
Stock options – Vested	1,703,048

Off Balance Sheet Arrangements

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

Future Accounting Standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee ("IFRIC") that are applicable for accounting periods beginning after December 31, 2013, as follows:

- 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. Requirements relating to hedge accounting representing a new hedge accounting model have also been added to IFRS 9. The mandatory effective date for IFRS 9, which is to be applied retrospectively, has not yet been determined.

Critical Accounting Policies and Estimates

The preparation of the Company's condensed unaudited interim 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 share-based compensation. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

Going Concern

The Company may have to raise additional capital to fund operations until such point that revenues from their technology are able to fund operations. If the Company is not able to raise sufficient capital then there is the risk that the Company will not be able to realize the value of its assets and discharge its liabilities. At March 31, 2014, the Company had a working capital deficiency of $1,213,430 and shareholders' deficiency of $1,117,927.

Internal Controls

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified to its management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow required disclosures to be made in a timely fashion.

Internal controls over financial reporting have been designed by management, under the supervision of and with the participation of the Company's CEO and CFO, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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.

1. Financial Risk Management

- Market risk
- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Fair value

2. Operational Risks

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

- Contingencies
- Impact of human error

3. Non-Financial Risks

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

Other Information

Additional information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com.

On behalf of the Board of Directors

Gary Moss
Director, President and Chief Executive Officer

CORPORATE INFORMATION

Address
YANGAROO Inc.
18 Mowat Avenue
Toronto, Ontario, Canada M6K 3E8
Phone: 416-534-0607 Fax: 416-534-9427
Website: www.yangaroo.com

Board of Directors

Anthony Miller	*Chair, Member of Audit Committee & Compensation Committee (Chairman)*
Clifford G. Hunt	*Vice-Chairman, Chief Operating Officer & Secretary*
Gary Moss	*Chief Executive Officer & President*
Howard Atkinson	*Member of Audit Committee (Chairman) and Compensation Committee*
Gerald C. Quinn	*Member of Audit Committee and Compensation Committee*
Sander Shalinsky	*Member of Compensation Committee*

Officers

Gary Moss	*Chief Executive Officer & President*
Clifford G. Hunt	*Vice-Chairman, Chief Operating Officer & Secretary*
Michael Galloro	*Chief Financial Officer*
Richard Klosa	*Chief Technology Officer*
Sarah C. Foss	*President - Advertising*

Stock Exchange Listing

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

Registrar and Transfer Agent
Valiant Trust
The Exchange Tower
Suite 710, 130 King Street West, Box 34
Toronto, Ontario, Canada M5X 1A9
Phone: 416-360-0713 Fax: 416-360-1646

Auditors
Collins Barrow Toronto LLP
11 King Street West, Suite 700
Toronto, Ontario, Canada M5H 4C7
Phone: 416-480-0160 Fax: 416-480-2646

Legal Counsel
Shalinsky & Company LLP
40 Holly Street, Suite 302
Toronto, Ontario, Canada M4S 3C3
Phone: 416-966-2188 Fax: 416-728-4577