

YANGAROO Inc.

Unaudited Condensed Interim Financial Statements

For the Three Months Ended March 31, 2018 and 2017

(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 of Canada 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 24, 2018

YANGAROO Inc.

Statements of Financial Position

As at

(Expressed in Canadian dollars)

	March 31, 2018	December 31, 2017 (audited)
Assets		
Current		
Cash	\$ 1,511,011	\$ 1,215,554
Accounts receivable	1,566,302	1,661,115
Prepaid and sundry assets	339,856	311,274
Contract assets (note 3)	40,767	-
	3,457,936	3,187,943
Property and equipment	203,127	222,122
	\$ 3,661,063	\$ 3,410,065
Liabilities		
Current		
Trade and other payables (note 5)	\$ 974,705	\$ 882,534
Deferred revenue	-	14,844
Contract liabilities (note 3)	42,835	-
Finance lease obligation	56,512	64,536
Contractual severance payable (note 17)	265,825	265,188
	1,339,877	1,227,102
Debentures (note 15)	472,750	469,656
Accrued interest on debentures (note 15)	54,722	42,222
Finance lease obligation	59,949	71,815
Contractual severance payable (note 17)	28,023	79,594
	1,955,321	1,890,389
Shareholders' Equity		
Share capital (note 6)	32,545,388	32,545,388
Warrant capital (note 8)	203,824	203,824
Contributed surplus (note 7)	6,231,571	6,130,476
Deficit	(37,275,041)	(37,360,012)
	1,705,742	1,519,676
	\$ 3,661,063	\$ 3,410,065
Going concern (note 2(c))		
Commitments and contingencies (note 10)		
Approved by the Board	“Gerry Hurlow” _____ Director	“Anthony Miller” _____ Director

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

YANGAROO Inc.

Unaudited Condensed Interim Statements of Net Income and Comprehensive Income

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

	2018	2017
Revenue^(a) (note 16)	\$ 1,949,090	\$ 1,740,066
Commission (note 18)	(84,316)	(95,176)
Post-production costs (note 18)	(19,277)	(10,889)
	(103,593)	(106,065)
Revenue, net of commission and production costs	1,845,497	1,634,001
Expenses		
Salaries and consulting (notes 7 & 12)	1,418,902	1,233,911
Marketing and promotion	121,901	79,821
General and administrative	183,789	197,307
Technology development	42,434	29,299
Depreciation of property and equipment	30,478	27,247
	1,797,504	1,567,585
Income from operations	47,993	66,416
Other income (expenses)		
Interest income	2,983	-
Interest expense	(18,600)	(13,757)
Foreign exchange gain (loss)	52,595	(19,474)
	36,978	(33,231)
Net income before income tax	84,971	33,185
Corporate income tax	-	(336)
Net income and comprehensive income	\$ 84,971	\$ 32,849
Basic income per share (note 9)	\$ 0.001	\$ 0.001
Diluted income per share (note 9)	\$ 0.001	\$ 0.001

(a) Revenue was derived using IFRS 15 Revenue from Contracts with Customers for the three months ended March 31, 2018.

See accompanying notes, which are an integral part of these 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, 2016 (audited)	\$32,532,328	\$173,873	\$6,030,469	\$(37,437,240)	\$1,299,430
Issuance of warrants (notes 8 & 15)	-	29,951	-	-	29,951
Share-based payments (note 7)	-	-	26,850	-	26,850
Income for the period	-	-	-	32,849	32,849
Balance at March 31, 2017	\$32,532,328	\$203,824	\$6,057,319	\$(37,404,391)	\$1,389,080
Share-based payments (note 7)	-	-	78,217	-	78,217
Exercise of options (notes 6 & 7)	13,060	-	(5,060)	-	8,000
Income for the period	-	-	-	44,379	44,379
Balance at December 31, 2017 (audited)	\$32,545,388	\$203,824	\$6,130,476	\$(37,360,012)	\$1,519,676
Share-based payments (note 7)	-	-	101,095	-	101,095
Income for the period	-	-	-	84,971	84,971
Balance at March 31, 2018	\$32,545,388	\$203,824	\$6,231,571	\$(37,275,041)	\$1,705,742

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

YANGAROO Inc.

Unaudited Condensed Interim Statements of Cash Flows

For the three months ended March 31

(Expressed in Canadian dollars)

	2018	2017
Cash flow from (used in) operating activities		
Net income for the period	\$ 84,971	\$ 32,849
Items not affecting cash:		
Depreciation of property and equipment	30,478	27,247
Bad debt expense	-	34,050
Share-based payments (note 7)	101,095	26,850
Accretion of contractual severance payable (note 17)	830	-
Accrued contractual severance payable (note 17)	(51,764)	-
Unrealized foreign exchange loss	(54,051)	17,475
Accretion of interest (note 15)	3,094	1,036
Accrued interest on debentures (note 15)	12,500	4,722
Changes in non-cash operating working capital:		
Accounts receivable	135,102	(93,801)
Prepaid and sundry assets	(28,582)	(23,615)
Contract assets (note 3)	(40,767)	-
Trade and other payables	88,621	40,984
Deferred revenue	(14,844)	(73,918)
Contract liabilities (note 3)	42,835	-
Net cash from (used in) operating activities	309,518	(6,121)
Cash flow used in investing activities		
Acquisition of property and equipment	(11,483)	(1,850)
Net cash used in investing activities	(11,483)	(1,850)
Cash flow from financing activities		
Proceeds from issuance of debentures, net of issuance costs (note 15)	-	489,880
Payment of finance lease obligation	(19,890)	(17,062)
Repayment of loan payable (note 14)	-	(200,000)
Net cash from (used in) financing activities	(19,890)	272,818
Net increase in cash	278,145	264,847
Effect of foreign exchange on cash	17,312	(12,420)
Cash at January 1	1,215,554	354,579
Cash at March 31	\$ 1,511,011	\$ 607,006
Cash interest paid	\$ 2,176	\$ 8,000
Finance lease additions	\$ -	\$ 36,321

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

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

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 67 Mowat Avenue, Suite 535, Toronto, Ontario, M6K 3E3.

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, 2017. 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, 2017. These statements were approved by the Board of Directors on May 24, 2018.

(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
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

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 and debenture holders, 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 performance obligations to be fulfilled in recognizing revenue from the awards management revenue stream.

(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.

(v) Collectability of accounts receivable

The Company determines its allowance for bad debts on an individual account basis. When an account appears unlikely to be collectible for a significant period of time, the Company will exercise judgement and estimate an accrual for bad debt expense.

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

2. Basis of Preparation (continued)

(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, 2018, the Company reported net income of \$84,971 (2017 - \$32,849) and received net cash in operating activities of \$309,518 (2017 - used net cash of \$6,121). Although the Company has generated net income and positive cash flows from operations during the three months ended March 31, 2018, the Company has a deficit of \$37,275,041 (December 31, 2017 - \$37,360,012). 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 obtaining additional financing (notes 6 & 15).

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, 2018, are as follows:

- 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.

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

New standards and interpretations adopted during the three months ended March 31, 2018:

The Company adopted IFRS 9 *Financial Instruments*, effective January 1, 2018, which supersedes IAS 39, *Financial Instruments: recognition and measurement* (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit and loss (FVTPL).

Where financial assets are measured at fair value, gains and losses are either recognized entirely in profit or loss (FVTPL), or recognized in other comprehensive income (fair value through other comprehensive income, FVTOCI).

For debt instruments, the FVTOCI classification is mandatory for certain assets unless the fair value option is elected. Whilst for equity investments, the FVTOCI classification is an election. Furthermore, the requirements for reclassifying gains or losses recognized in other comprehensive income are different for debt instruments and equity investments.

The classification of a financial asset is made at the time it is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

A debt instrument that meets both the business model test and cash flow characteristics test must be measured at amortized cost (net of any write down for impairment) unless the asset is designated at FVTPL under the fair value option.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with a comparison to IAS 39). There was no material impact on the Company's financial statements from the adoption of IFRS 9.

Financial instrument	IAS 39	IFRS 9
Financial assets		
Cash	Fair value through profit or loss	Fair value through profit or loss
Accounts receivable	Loans and receivables	Amortized cost
Contractual assets	Loans and receivables	Amortized cost
Financial liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Finance lease obligations	Other financial liabilities	Amortized cost
Loan payable	Other financial liabilities	Amortized cost
Debentures	Other financial liabilities	Amortized cost
Contractual severance payable	Other financial liabilities	Amortized cost

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

New standards and interpretations adopted during the three months ended March 31, 2018 (continued):

The Company adopted IFRS 15 *Revenue from Contracts with Customers*, effective January 1, 2018. IFRS 15 supersedes previous accounting standards for revenue, including IAS 18, *Revenue* (IAS 18) and IFRIC 13, *Customer loyalty programmes* (IFRIC 13).

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

The Company has elected to adopt IFRS 15 using the cumulative effect method as of the date of initial application on January 1, 2018, with no restatement of comparative period amounts. As the effect of adopting IFRS 15 did not have a material impact on the financial statements, there was no adjustment made to the opening balance of equity at the date of initial application.

Under the cumulative effect method, the Company chose to apply the requirements of the new standard to only contracts that were open, (not complete as defined under the new standard) at the date of initial application. The application of IFRS 15 impacted the awards management revenue stream. The other revenue streams such as advertising, audio/video delivery, licensing and subscription fees were not impacted by the application of IFRS 15 as the performance obligations were fulfilled within a short period of time or at the point of sale with customers.

Under IAS 18, the Company recognized revenue related to awards management projects based on the percentage of completion of certain milestones during the project. These milestones were mutually set by the Company and its customers based on billing schedules. Under IFRS 15, revenue is recognized upon satisfying performance obligations, which include the transfer of promised goods and/or services to a customer, such that the customer obtains control of the goods and/or services. The performance obligations include successfully developing and implementing customized awards management solutions, which include but are not limited to awards submission sites and awards judging sites, getting the sites ready for use, and providing customer support services during the submission and/or judging periods.

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

New standards and interpretations adopted during the three months ended March 31, 2018 (continued):

IFRS 15 affected the revenue line item on the unaudited condensed interim statements of income for the period ended March 31, 2018 and 2017. In addition, new assets and liabilities have been recognized on the unaudited condensed interim statements of financial position. Specifically, a contract asset and contract liability is recognized to account for any timing differences between the revenue recognized and the amounts billed to the customer.

The Company records a contract asset when it has provided goods and services to its customer but its right to related consideration for the performance obligation is conditional on satisfying other performance obligations. Contract assets primarily relate to the Company's rights to consideration for successfully developing and implementing customized awards management solutions, which include but are not limited to awards submission sites and awards judging sites. The Company recognizes a contractual asset when the site is ready for use, however remaining obligations such as providing customer support services during the submission and/or judging periods have not been fully provided. The Company records a contract liability when it bills a customer in advance of providing goods and services. These include situations when a milestone payment is due before the customized awards management solution is completely developed or related services fully provided.

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, 2018, the Company had a balance outstanding of \$Nil (December 31, 2017 - \$Nil) on this line of credit.

5. Trade and Other Payables

	March 31 2018	December 31 2017 (audited)
Trade payables	\$ 198,930	\$ 185,584
Non-trade payables	775,775	696,950
	\$ 974,705	\$ 882,534

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

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, 2017 to March 31, 2018:

	Number of shares	Value
Balance at January 1, 2017 and March 31, 2017	61,208,140	\$ 32,532,328
Exercise of options on October 6, 2017 ^(a)	80,000	13,060
Balance at December 31, 2017 and March 31, 2018	61,288,140	\$ 32,545,388

(a) The Company exercised 80,000 options at a price of \$0.10 per unit for gross proceeds of \$8,000. The initial value of \$5,060 related to the options' original issuance was reclassified from contributed surplus to share capital.

7. Share-Based Payments

The Company revised its stock option plan from a 10% rolling stock option plan to a 12% fixed plan (the "Plan"), in which the total number of options shall not exceed 7,344,976, which is 12% of the issued and outstanding number of shares as of the date of approval. The Plan was approved at the Company's Annual Meeting of the Shareholders held on June 28, 2017.

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, 2016	\$ 0.310	4,114,274	3,943,274	2.26
Granted	0.100	1,280,000		
Forfeited	0.180	(20,250)		
Balance at March 31, 2017	\$ 0.260	5,374,024	4,144,024	2.67
Granted	0.140	575,000		
Expired	1.000	(350,274)		
Forfeited	0.160	(109,750)		
Exercised	0.100	(80,000)		
Balance at December 31, 2017	\$ 0.200	5,409,000	4,300,500	2.26
Granted	0.275	1,392,500		
Forfeited	0.160	(30,250)		
Balance at March 31, 2018	\$ 0.220	6,771,250	4,804,000	2.57

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

7. Share-Based Payments (continued)

For the three months ended March 31, 2018, the fair value of the options granted was \$277,282 (2017 - \$80,960).

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, 2018 was \$101,095 (2017 - \$26,850). 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, 2018 used the following weighted average assumptions:

	March 31 2018	March 31 2017
Volatility (based on historical share prices)	92%	95%
Risk-free interest rate	1.89%	1.09%
Expected life (years)	5.00	5.00
Dividend yield	Nil	Nil
Forfeiture rate	12%	13%
Underlying share price	\$0.280	\$0.090

The Company had the following stock options outstanding at March 31, 2018:

Number of options	Number of non-vested options	Number of vested options	Exercise price	Expiry date
1,595,000	-	1,595,000	\$0.250	October 1, 2018
750,000	-	750,000	\$0.340	March 3, 2019
25,000	-	25,000	\$0.300	May 28, 2019
27,000	-	27,000	\$0.350	June 20, 2019
57,500	-	57,500	\$0.280	September 2, 2019
2,500	-	2,500	\$0.120	November 21, 2019
952,500	-	952,500	\$0.180	January 26, 2020
237,500	-	237,500	\$0.150	January 11, 2021
5,000	-	5,000	\$0.115	September 6, 2021
1,151,750	369,000	782,750	\$0.100	January 10, 2022
500,000	300,000	200,000	\$0.140	May 1, 2022
75,000	45,000	30,000	\$0.120	August 25, 2022
1,392,500	1,253,250	139,250	\$0.275	January 4, 2023
6,771,250	1,967,250	4,804,000	\$0.220	

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

8. Warrants

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

	Number of warrants	Amount	Weighted average exercise price
Balance at December 31, 2016	2,509,845	\$ 173,873	\$ 0.20
Warrants issued	500,000	29,951	0.15
Balance at March 31, 2017, December 31, 2017 and March 31, 2018	3,009,845	\$ 203,824	\$ 0.19

The Company had the following warrants outstanding and exercisable at March 31, 2018:

Number of warrants		Exercise price	Expiry date
1,872,345	(i)	\$0.20	July 8, 2019
637,500	(ii)	\$0.20	July 20, 2019
500,000	(iii)	\$0.15	February 24, 2020
3,009,845			

- (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 93%; (III) a risk free interest rate of 0.48% and (IV) an expected life of 3 years.
- (ii) 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 93%; (III) a risk free interest rate of 0.57% and (IV) an expected life of 3 years.
- (iii) These bonus warrants were issued to lenders in connection with the issuance of debentures (notes 13 & 16). 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 88%; (III) a risk free interest rate of 0.87% and (IV) an expected life of 3 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
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

9. Basic and Diluted Income per Share

The income and weighted average number of common shares used in the calculation of basic and diluted income per share for the periods ended March 31, 2018 and 2017 were as follows:

	March 31 2018	March 31 2017
Numerator:		
Net income and comprehensive income for the period	\$ 84,971	\$ 32,849
Denominator:		
Weighted average number of common shares - basic	61,288,140	61,208,140
Adjustments for calculation of diluted income per share:		
Options and warrants in the money	7,036,845	130,000
Weighted average number of common shares - diluted	68,324,985	61,338,140
Basic income per share	\$ 0.001	\$ 0.001
Diluted income per share	\$ 0.001	\$ 0.001

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. There were no litigation and claims during the three months ended March 31, 2018.

(b) Leases

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

2018	\$ 172,952
2019	230,602
2020	230,602
2021	230,602
2022	134,518
	\$ 999,276

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

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, 2018.

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:

	March 31 2018	March 31 2017
Salaries and short-term employee benefits ⁽ⁱ⁾	\$ 301,991	\$ 220,970
Share-based payments	86,457	21,830
	\$ 388,448	\$ 242,800

(i) Short-term employee benefits include bonuses, vacation pay and commission (effective Q2 2017).

During the three months ended March 31, 2017, the Company issued debentures with a principal amount of \$100,000 and issued 100,000 bonus warrants to a director of the Company (notes 8 & 15).

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

13. Financial Instruments and Risk Management

The following tables summarize the carrying values of the Company's financial instruments. The fair values of financial instruments approximate their carrying values because of their current nature. The fair value of the Company's finance lease obligations and debentures are based on estimated market interest rates on similar borrowings. The carrying amount of the finance lease obligations and debentures is not materially different from the present value of the future cash flows to settle the liability.

The following tables illustrate the differences in the classification of the Company's financial instruments under IAS 39 for the year ended December 31, 2017 and under IFRS 9 for the three month period ended March 31, 2018.

	December 31 2017 (audited)
Fair value through profit or loss (i)	\$ 1,215,554
Loans and receivables (ii)	\$ 1,661,115
Other financial liabilities (iii)	\$ 1,875,545

	March 31 2018
Fair value through profit or loss (i)	\$ 1,511,011
Amortized cost - financial assets (ii)	\$ 1,607,069
Amortized cost - financial liabilities (iii)	\$ 1,912,486

- (i) Cash
- (ii) Accounts receivable excluding HST and contractual assets
- (iii) Trade and other payables, finance lease obligation, debentures and contractual severance 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 provided 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 Company withdrew \$100,000 from the Credit Facility on January 26, 2016 and an additional \$100,000 on May 25, 2016. During the year ended December 31, 2017, the loan was repaid using the proceeds from the issuance of debentures and the Agreement was terminated (note 15).

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

15. Debentures

On February 24, 2017, the Company completed a non-brokered debenture offering (the "Offering") of secured, non-convertible debentures (the "Debentures") for aggregate gross proceeds of \$500,000 (the "Principal Amount"). The net proceeds of the Offering were used to repay the loan to Espresso (note 14) with the balance used for working capital. The Debentures mature three years from the closing (the "Closing Date") of the Offering (the "Maturity Date") but the Company is entitled to repay the Principal Amount and all accrued interest in full, without penalty, at any time following the two year anniversary of the Closing Date ("Early Repayment"), subject to the mutual approval of the Company and the holders of the Debentures. The Debentures bear interest at a rate of 10% per annum, which accrues and becomes due on the Maturity Date, subject to Early Repayment.

The Company also issued to the lenders one share purchase warrant (each the "Bonus Warrant", collectively the "Bonus Warrants") for each dollar of the Principal Amount to purchase one common share of the Company at an exercise price of \$0.15 per share for a period of three years from the Closing Date. The Company issued 500,000 Bonus Warrants with a fair value of \$29,951 during the year ended December 31, 2017 (notes 8 & 12). The accretion expense was \$3,094 for the three months ended March 31, 2018 (2017 - \$1,036). The securities issued pursuant to the Offering are subject to a 4-month hold period. Neither the Debentures nor the Bonus Warrants are listed on any stock exchange. The Debentures are secured against all personal property of the Company.

The following Debentures were outstanding as at March 31, 2018:

Maturity Date	Carrying Value	Face Value	Stated Interest Rate	Effective Interest Rate
February 24, 2020	\$ 472,750	\$ 500,000	10%	13%

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

16. 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. For revenues, the amounts included are from the originating country. Below is the breakdown of revenue and long term assets by operating segment.

For the three months ended March 31, 2018	Canada	US	Other	Total revenue
Advertising	\$ 156,256	\$ 1,073,199	\$ -	\$ 1,229,455
Entertainment				
Music ⁽ⁱ⁾	153,041	224,136	-	377,177
Awards management	74,614	256,207	-	330,821
Licensing ⁽ⁱⁱ⁾	-	-	11,637	11,637
	227,655	480,343	11,637	719,635
Total revenue^(a)	\$ 383,911	\$ 1,553,542	\$ 11,637	\$ 1,949,090
Property and equipment	\$ 196,078	\$ 7,049	\$ -	\$ 203,127

(a) Revenue was derived using IFRS 15 Revenue from Contracts with Customers for the three months ended March 31, 2018 and impacted the awards management revenue stream as revenue is recognized over a period of time.

For the three months ended March 31, 2017	Canada	US	Other	Total revenue
Advertising	\$ 136,257	\$ 888,537	\$ -	\$ 1,024,794
Entertainment				
Music ⁽ⁱ⁾	147,904	276,364	10,000	434,268
Awards management	87,500	193,504	-	281,004
Licensing ⁽ⁱⁱ⁾	-	-	-	-
	235,404	469,868	10,000	715,272
Total revenue	\$ 371,661	\$ 1,358,405	\$ 10,000	\$ 1,740,066
Property and equipment	\$ 119,762	\$ 5,190	\$ -	\$ 124,952

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

⁽ⁱⁱ⁾ Licensing includes revenues from licensing DMDS to other territories outside of Canada and US.

YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2018 and 2017
(Expressed in Canadian dollars)

17. Contractual Severance Payable

During 2017, the Company incurred a contractual severance payable of \$432,888, to be paid over 22 months, which commenced August 2017. This consists of an undiscounted bonus accrual of \$60,525 and a principal severance payable amount of \$372,363, which was discounted using a risk-free interest rate of 1.26%, resulting in a fair value of \$367,981. As at March 31, 2018, the balance of contractual severance payable was \$293,848 (December 31, 2017 - \$344,782), of which \$205,300 (December 31, 2017 - \$204,663) of the severance payable and \$60,525 (December 31, 2017 - \$60,525) of the bonus accrual were current, and the remaining payable amount of \$28,023 (December 31, 2017 - \$79,594) classified as long term. The accretion expense for the three months ended March 31, 2018 was \$830 (2017 - \$Nil).

18. Comparative Figures

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

The Company has disclosed a subtotal for revenue, net of commission and production costs in the unaudited condensed interim statements of net income and comprehensive income. Revenue, net of commission and production costs is computed as total revenues, including advertising, music audio & video, awards management and licensing revenue streams, less commission costs related to sales personnel, and post-production costs related to its advertising production activities. The Company believes this disclosure provides useful and transparent information to users of the financial statements with respect to the operating and financial performance of the Company.