YANGAROO Inc.
June 30, 2011
Management's Discussion and Analysis ("MD&A")
Date: August 18, 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 June 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 August 18, 2011. Disclosure contained in this document is current to this date, unless otherwise stated.

Forward Looking Information

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its mineral project, the future price of resources, the estimation of resources, the realization of resource estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of development, costs and timing of future exploration, requirements for additional capital, government regulations, environmental risks, reclamation expenses, title disputes or claims and limitations of insurance coverage. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are based on assumptions. They involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiary to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of resources; possible variations recovery rates; failure of plant, equipment or processes to operate as anticipated;

accidents, labour disputes and other risks of the industry; political instability; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or result, except as may be required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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 Q2	2011 Q1	2010 Q4	2010 Q3
Working capital	$ (3,375,283)	$ (1,238,374)	$ (345,229)	$ 590,111
Sales	$ 307,976	$ 275,799	$ 252,939	$ 171,729
Expenses	$ 2,547,909	$ 1,632,370	$ 2,879,606	$ 1,162,655
Loss for the period	$ 2,239,933	$ 1,356,571	$ 2,626,667	$ 990,926
Loss per share (basic & diluted)	$ 0.02	$ 0.01	$ 0.02	$ 0.01

			Not restated for IFRS	
	2010 Q2	2010 Q1	2009 Q4	2009 Q3
Working capital	$ 4,698	$ 28,889	$ 88,588	$ 851,395
Sales	$ 196,534	$ 185,290	$ 175,613	$ 218,211
Expenses	$ 975,486	$ 879,242	$ 1,111,065	$ 763,837
Loss for the period	$ 778,952	$ 693,952	$ 935,452	$ 545,626
Loss per share (basic & diluted)	$ 0.01	$ 0.01	$ 0.01	$ 0.01

Revenue

Revenue for the second quarter of 2011 totalled $307,976, 57 % higher than the revenue for the second quarter of 2010. The increase in revenue is due to both greater uses of DMDS for music video delivery and awards management by existing music industry customers and billings to new customers. The increase is reflected in the independent sector and with the major labels. Also, the Company started to realize revenue from advertising video delivery.

Operating Expenses

Total operating expenses for the period ended June 30, 2011 decreased by 9% compared to the same period in fiscal 2010 to $844,041 (2010 - $923,857). The main contributors of the change are a decrease in general and administrative expense of 61% ($184,267), a decrease in marketing and promotion of 29% ($16,103) and amortization of intangible assets of 100% ($144,845) over the same quarter in the prior year. The decrease was partially offset by an increase in salaries and consulting of 72% ($269,354) over the prior year. The overall decrease reflects the result of our cost cutting initiative that began in the fiscal year of 2010.

(i) Salaries and Consulting

The increase in salaries and consulting expense is primarily due to the addition of the new CEO and the US advertising department. The administration department incurred a 68% ($108,179) increase in salaries and consulting expenses over the same period in the prior year mainly due to the addition of personnel. The US advertising department incurred personnel expenses of $150,375 in the second quarter of 2011 and there was none in the same period in 2010. The technology development department has also increased its salaries and consulting expense by 95% ($73,141). This change reflects the discontinuity of capitalizing the salaries and consulting expense for technology development.

Salaries and consulting expense in sales and marketing department decreased 63% ($52,870) over the same period in the prior year. The change is mainly due to renegotiation of compensation agreements with existing consultants and reclassification of expenses. Operations department incurred a 17% ($9,471) decrease of salaries and consulting expense. The decrease is due to reduction of personnel.

(ii) General and Administrative

General and administrative expense for period ended June 30, 2011 decreased 61% ($184,267). The change is primarily due to a decrease in recruitment charges, legal fees, investor relations costs and rental costs. The decrease in legal fees, investor relations costs and rental costs is a reflection of the cost cutting initiative that began in fiscal 2010 and is still being adhered to by the Company.

(iii) Research and Development

Technology development expense for the period ended June 30, 2011 decreased by $470 (2%). The Company no longer defers development costs.

(iv) Marketing and Promotion

Marketing and promotion expense for the period ended June 30, 2011 decrease by 29% ($16,103) over the same period in the prior year. This decrease is also a result of the continuing cost cutting initiative that began in fiscal 2010.

Net Loss

The net loss of $2,239,933 for the three months ended June 30, 2011 includes a onetime expenditure of approximately $1.6 million for the retirement of the convertible debenture and the issuance of the new debt financing. The net loss for the six month period ended June 30, 2011 includes a onetime payment related to the settlement of a lawsuit for $600,000 which was recognized in the first quarter of fiscal 2011.

Liquidity, Capital Resources and Financing

At June 30, 2011, the Company has cash and cash equivalents balance of $1,343,146 and a negative working capital of $3,375,283.

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.

On June 23, 2011, the Company issued $2,500,000 principal amount of senior secured 18% non-convertible debentures (the "New Debenture). In addition, with the prior requisite approval of the debenture holders, the Company amended its previously issued $818,000 principal amount 12% convertible debentures maturing March 31, 2012 (the "March 2012 Debentures") and $1,125,000 principal amount convertible debentures maturing July 31, 2012 to reflect the terms of the New Debentures (the "July 2012 Debentures" and together with the March 2012 Debentures, the "Amended Debentures"). $44,911 of interest that accrued on the March 2012 Debentures was added to the principal amount of the amended March 2012 Debentures.

Pursuant to their terms, the New Debentures and the Amended Debentures (collectively, the "Debentures") are, among other things, non-convertible and repayable upon demand, after the first anniversary of their issuance, subject to the requisite determination of the holders of the outstanding Debentures to make demand for repayment. In addition, in the event of an asset sale in excess of $3,000,000, the Company would be required to offer to repurchase a minimum of 50% of the outstanding Debentures, plus all accrued and unpaid interest due, at a price equal to 100%. Debenture holders would also have a right of first refusal to participate in future offerings by the Company, subject to the satisfaction of certain conditions. In turn, the Company, may redeem the Debentures in the event that it has first raised a minimum of $4 million of "net new cash", which would include the proceeds raised from the issuance of the New Debentures but would exclude, among other things, the proceeds from the repayment of any debentures that, in turn, are used to fund the purchase of new securities of the Company.

In accordance with the rules of the TSX Venture Exchange, the Company also issued an aggregate of 13,521,504 "Bonus" common shares to purchasers of the New Debentures and holders of the previously issued debentures.

The securities issued and issuable pursuant to the transaction are subject to a hold period expiring October 24, 2011.

Outstanding Share Data

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

Common shares	131,569,119
Stock options	8,925,000
Warrants	33,379,000

Subsequent to June 30, 2011, the Board of Directors approved the granting of stock options totalling 2,879,761. The options were granted to particular members of management, officers and directors.

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.

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.

As proof of the international opportunity and our ability to realize that opportunity, we have recently signed an agreement with Shooting Star Productions in Australia. The agreement is for audio and video content delivery via DMDS to Shooting Star's D-Star client base in Australia and New Zealand. We believe that this agreement represents significant revenue potential for us in 2011 and beyond. We will be working aggressively with Shooting Star to realize the full potential of this opportunity for music audio, music video, and advertising. We are seeing revenues begin to ramp from our agreement with Shooting Star and plan for a high rate of growth both in terms of volumes and revenues from this relationship in the back half of 2011.

We are aggressively managing our cost structure to ensure that we focus the majority of our resources on profitable growth and have reduced our annual operating expenses. In addition, we have recently settled a long standing legal dispute with Destiny Media. The settlement of this dispute will dramatically reduce our annual legal costs by hundreds of thousands of dollars. It is important to note that if we normalize our year over year financial comparison and back out significant onetime costs, our financials show that our loss increasing by only 3% year over year. This is despite significant investments in reorganizing our core business and in building our advertising business. 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 growing 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 1,500 TV broadcast destinations in the U.S. and Canada. This is up from 1000 just 3 months ago. This is another example of how our resources are now being more wisely spent on activities that will yield positive results in 2011. 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.

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 through the second half of 2011.

We will continue our focus on execution and believe the outlook for the next 12 months to be very positive.

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, impact decisions as to when exploration and development costs should be capitalized or expensed, and estimate for asset retirement obligations and reclamation costs.

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 new pronouncements listed below are those that the Company considers the most significant. They are not intended to be a complete list of new pronouncements that may impact the Company's financial statements.

Financial Instruments - Disclosures:

On October 7, 2010, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures", which increase the disclosure requirements for transactions involving transfer of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011 and therefore the Company will apply the amendment beginning in the first quarter of 2012. The Company is currently assessing the impact of the amendment on its financial statements.

Financial Instruments – Recognition and Measurement:
The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. This standard becomes effective on January 1, 2013. The Company is currently assessing the impact of the new standard on its financial statements.

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

CORPORATE INFORMATION

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

Board of Directors

Clifford G. Hunt	*Chairman*
Scott R. Wambolt	*Chief Executive Officer*
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*
Clifford G. Hunt	*Chairman & Chief Operating Officer*
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*

Registrar and Transfer Agent
Equity Financial Trust Company
200 University Avenue, Suite 400
Toronto, Ontario, Canada M5H 4H1
Phone: 416-361-0930 Fax: 416-361-0470

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
Baker & McKenzie LLP
Brookfield Place
181 Bay Street, Suite 2100
P.O. Box 874
Toronto, Ontario, Canada M5J 2T3
Phone: 416-863-1221 Fax: 416-863-6275