YANGAROO Inc.
June 30, 2012
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 and six months ended June 30, 2012 and the audited year ended December 31, 2011.

Use of Non-IFRS Financial Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities and accordingly our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, and the loss on extinguishment of debt. EBITDA is derived from the statements of comprehensive loss, and can be computed as revenues less human resources expenses and property, marketing and administration expenses. The Company believes 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 August 21, 2012. 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 August 21, 2012. 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 management solution for the entertainment 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. YANGAROO also offers comprehensive asset management and post production services to clients in the music and advertising industries.

Corporate Activities

On April 16, 2012, the Company announced a private placement of a minimum of $1,250,000 and up to a maximum of $2,000,000 in units. Each unit will consist of one common share in the capital stock of the Company and one warrant, entitling the subscriber to purchase an additional share at $0.10 per share within 36 months of closing. The Company will issue the units at $0.05 per unit, resulting in the issue of a minimum of 25,000,000 shares and up to a maximum of 40,000,000 shares upon closing, non-diluted. This financing is a partially brokered private placement and the Company currently has commitments for the minimum amount of the raise.

The Company received approval from the Debenture holders to amend all of the existing debentures, by extending the timeline for repayment for an additional 36 months, and reducing the interest rate payable on the outstanding indebtedness from 18% to 14%.

The Company will pay an agent's fee to Fraser Mackenzie Limited on their portion of the raised proceeds, and will pay a finder's fee to certain other parties that assisted in the private placement.

The net proceeds from the private placement will be used for general working capital. The proposed financing has been submitted to the TSX Venture Exchange ("TSX-V") for which it has received conditional approval, and is subject to TSX-V final approval.

As of August 21, 2012, the Company collected approximately $393,783 from the above mentioned financing.

The Company announced that Anthony Miller, a director of YANGAROO since September 2010, has agreed to serve as YANGAROO's Chairman of the Board of Directors as of June 26, 2012. Clifford Hunt, who has served as Chairman until the present date, will continue to serve as a director, will take on the role of Vice Chairman, and will continue in his position as Chief Operating Officer.

Anthony Miller currently sits on the Company's Audit Committee and Compensation Committee. Mr. Miller's experience includes Chairman Emeritus of MacLaren McCann, one of Canada's leading advertising and marketing communications companies. He previously served as Vice Chairman of the global parent, McCann Worldgroup, based in New York, and has held a number of senior positions in advertising agencies in both the United States and Canada for more than 40 years. Mr. Miller is a former chairman of the Canadian Institute of Communication and Advertising, a past chairman of the Young Presidents Organization (Ontario), and a member of the Chief Executive Organization. He also serves on the boards of Care Canada and Yellow Media.

Mr. Miller's extensive advertising industry experience will provide YANGAROO with strategic leadership in a key growth area.

On June 27, 2012, the Company was re-classified from Tier 1 to Tier 2 on the TSX-V effective immediately. This re-classification will have no material impact on YANGAROO's business.

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:

	Q2 2012	**Q1 2012**	**Q4 2011**	**Q3 2011**
Working capital	$ (5,331,876)	$ (4,996,607)	$ (4,369,579)	$ (4,033,380)
Sales	$ 629,352	$ 546,822	$ 455,756	$ 410,360
Expenses	$ 1,339,243	$ 1,217,431	$ 754,068	$ 1,128,839
Loss for the period	$ 709,891	$ 670,609	$ 298,312	$ 718,479
EBITDA	$ (213,706)	$ (309,547)	$ (455,386)	$ (500,138)
Loss per share (basic & diluted)	$ 0.01	$ 0.01	$ 0.002	$ 0.01

	Q2 2011	Q1 2011	Q4 2010	Q3 2010
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
EBITDA	$ (517,608)	$ (1,248,038)	$ (2,410,671)	$ (795,501)
Loss per share (basic & diluted)	$ 0.02	$ 0.01	$ 0.02	$ 0.01

EBITDA

The Company continues to experience a substantial improvement in its EBITDA. In the quarter ended June 30, 2012, the Company has reduced its EBITDA loss by $303,902 (59%) year over year and $95,841 (31%) quarter over quarter. This improvement has been consistent for six consecutive quarters. This positive result is twofold; first, the Company continues to increase its revenue in both the Entertainment and Advertising Divisions, and second, the Company remains focused on maintaining a diligent adherence to cost cutting measures. Excluded from EBITDA is the one-time adjustment for the loss on extinguishment of debt.

Revenue

The Company saw significant growth in the three month period ended June 30, 2012 from both divisions. Total revenue of $629,352 was the result of growth in both the Advertising and Entertainment Divisions resulting in 104% ($321,376) increase in revenue over the same period in 2011 and an increase of 15% ($82,530) from the previous quarter (March 31, 2012 - $546,822).

	2012 Q2	2011 Q2	$ Change	% Change
Advertising Division	$211,135	$13,936	$197,199	1,415%
Entertainment Division				
Music audio	194,890	152,232	42,658	28%
Music video	118,864	24,169	94,695	392%
Awards management	53,263	85,935	(32,672)	-38%
Subscriptions fees	51,200	31,704	19,496	61%
Total Entertainment Division	418,217	294,040	124,177	42%
Total revenue	$629,352	$ 307,976	$321,376	104%

(i) Advertising

The Company set new milestones and record growth in the second quarter for its Advertising Division. YANGAROO earned revenue of $211,135 (June 30, 2011 - $13,936) in the quarter, which marked a 1,415% ($197,199) increase over the same period in 2011 and a 42% ($62,775) increase in revenue from the previous quarter (March 31, 2012 - $148,360).

During the period, the advertising division continued to grow with increased usage by existing YANGAROO users: broadcasters, agencies and production houses. Now connecting more than 4,500 media destinations to leading US agencies and production houses, 95% of all orders received in Q2-2012 were delivered online through the DMDS platform.

With the newly implemented process for automated customization features, the Company saw a significant increase in demand for delivery for direct response advertising. Clients are taking advantage of the ability to streamline their workflow and eliminate high production costs, resulting in significant savings on distribution.

Other enhanced capabilities released in Q2-2012 include:

- **Automated Traffic Confirmations** – The first of its kind, this capability allows agencies instant access to online confirmations of traffic and media notifications, eliminating the need for manual call-outs to station personnel.
- **Centre Cut Safe Viewer** – YANGAROO's advertisers can now see a center-cut safe overlay when viewing a copy of their high definition (HD) commercial. This new feature enables clients to verify that ads are title safe before distribution.

(ii) Entertainment

Entertainment Division revenues continued to grow with 42% increase over the same period in 2011, and 5% over those in the previous quarter. The Company benefited from the greater adoption of YANGAROO's Digital Media Distribution System (DMDS) for audio and video delivery by major label and independent customers in the U.S. and Australia. Revenue growth in the music video delivery sector was driven by MTV Networks move to High Definition (HD) and their announcement to the industry that they were requesting that all HD music videos be delivered via DMDS. The YANGAROO Awards platform expanded its horizons significantly with the addition of the MTV Movie Awards. YANGAROO Awards has become the standard for music industry awards shows, with The Grammys, The JUNOS, The Academy of Country Music Awards, and many others, but now with the MTV Movie Awards on board the company expects this will provide significant opportunity outside of the music business.

Operating Expenses

Total operating expenses for the three months ended June 30, 2012 was $859,990 which increased by 2% ($15,949) over the same period in fiscal 2011 (June 30, 2011 - $844,041). This slight increase can be attributed to a jump in advertising production and offline delivery costs directly related to the increase in sales. Total operating expenses decreased by 2% ($14,559) from the previous quarter (March 31, 2012 - $874,549).

(i) Salaries and Consulting

Salaries and consulting expense for the three months ended June 30, 2012 was $604,752. This balance marked a 6% ($39,623) decrease over the same period in the prior year (June 30, 2011 - $644,375) and a 4% ($24,928) decrease from the previous quarter (March 31, 2012 – $629,680). The decrease is attributed to the completion of severance payments to the former President and CFO, as well as a reduction in stock option expenses during the period. The decrease was slightly offset by the addition of customer and technical support personnel, and an increase in sales commissions.

(ii) General and Administrative

General and administrative expense for the three months ended June 30, 2012 was $184,266, which increased 55% ($65,544) over the same period in the prior year (June 30, 2011 - $118,722) and increased 20% ($30,316) from the previous quarter (March 31, 2012 – $153,950). The increase in General and Administrative costs can be directly tied to the significant rise in Advertising revenue; as production and offline delivery expenses for the growing advertising deliveries increased in the period. These costs were offset by a decline in legal fees in the period.

(iii) Marketing and Promotion

Marketing and promotion expense for the three months ended June 30, 2012 increased by 13% ($5,143) from $40,114 for the quarter ended June 30, 2011 to $45,257 for the period ended June 30, 2012. This slight increase of $5,143 was caused by royalties owing on the higher revenue base. This expense increased by 1% ($493) from the previous quarter (March 31, 2012 - $44,764).

(iv) Technology Development

Technology development expense for the three months ended June 30, 2012 decreased by 61% ($13,591) over the same period in the prior year, and decreased by 69% ($19,193) from the previous quarter (March 31, 2012 - $27,975). This decrease is due to an increase in the investment tax credit applied for by the Company.

Net Loss

The Company saw another significant drop in its net loss for the current period to $709,891, representing a 68% ($1,530,042) decrease from the same period in the prior year (June 30, 2011 - $2,239,933). This reduction coincides with the substantial rise in revenue, completion of severance payments, and the Company’s adherence to cost cutting measures. The current period net loss represents a 6% ($39,282) increase from the previous quarter (March 31, 2012 – $670,609). This increase results from an increase of interest expense ($135,894) on the debenture, which exceeded the benefits derived, quarter over quarter, from the increased revenue and decreased operating expenses.

Outlook

Revenue continues to grow year on year and quarter to quarter. This growth is the result, primarily, of increased usage by existing customers, as well as of an expanded customer base in the Entertainment division. There are advanced discussions with multiple prospects in the Advertising division which represents a significant growth opportunity. Once again, 100% of the incremental quarterly revenue dropped through to the Company's EBITDA, taking advantage of technical and operational scalability.

The current financing, which is expected to close on, or about, September 30, 2012, will provide the working capital necessary to fund YANGAROO'S growth initiatives. The cash generated by the increased sales have afforded YANGAROO the flexibility to assess its financing options. Discussions are underway with the currently committed investor, as well as other new and existing investors, to deliver the financing prior to the amended closing date.

YANGAROO Entertainment Division:

The Entertainment Division generated both annual and quarterly growth. The benefits of the move from SD to HD are reflecting in the increased sales. The notification by MTV to its broadcast partners that Yangaroo is the only distributor of HD content on their behalf is the primary catalyst for this growth. New labels have been added during the quarter and this trend will continue. The Company is in advanced discussions with several new awards shows and expects to announce further details shortly.

YANGAROO Advertising Division:

Q2 was a record sales quarter, with consecutive monthly sales benchmarks being set. There has been a marked increase in traffic distributed by the Company. Existing clients are utilising YANGAROO for an increasing portion of their content distribution. New customers were added during the quarter as well and this will be reflected in future earnings. The accelerating adoption of the DMDS platform is a testament to the more than competitive technology and value proposition that YANGAROO offers. The Company is able to respond quickly to customer requests as evidenced by the implementation of the Traffic Management System.

The first of its kind, YANGAROO now offers a fully digital traffic service to streamline communication between major agencies and buying services to broadcasters. The traffic management system distributes commercial instructions through DMDS and receives instant confirmation that spots or instructions have been acknowledged and air properly. The feature eliminates the need for manual call-outs to station personnel. Real-time reporting is available which includes name, date and time stamp upon receipt of instructions. Initial feedback from customers has been overwhelmingly positive.

Liquidity, Capital Resources and Financing

At August 21, 2012, the Company has cash and cash equivalents balance of $97,358 and a negative working capital of $979,342. During the quarter, the Company secured a private placement of equity units of a minimum of $1,250,000 and up to a maximum of $2,000,000. The Company will issue the units at $0.05 per unit. This is a partially brokered private placement and the Company currently has commitments for the minimum amount of the raise which is expected to close by the end of September

2012. The Company also received approval from Debenture holders to amend all of the existing debentures, by extending the timeline for repayment for an additional 36 months, and reducing the interest rate payable on the outstanding indebtedness from 18% to 14%. As of August 21, 2012, the Company has collected $393,783 on the above financing.

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; however, once the current financing is complete, the Company will have sufficient cash flows fulfil its business objectives by carrying out its business plan and pursuing its marketing and business development strategies.

Share Capital

The following securities were outstanding as at August 13, 2012:

Common shares	131,569,119
Warrants	5,471,000
Stock options - Non vested	2,662,821
Stock options - Vested	5,471,000

Off Balance Sheet Arrangements

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

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.

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 will 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 June 30, 2012, the Company had negative working capital of $843,964 and deficit of $31,525,682. To date, the Company has been successful raising capital. During the quarter, the Company secured a private placement of equity units of a minimum of $1,250,000 and up to a maximum of $2,000,000. The Company will issue the units at $0.05 per unit. This is a partially brokered private placement and the Company currently has commitments for the minimum amount of the raise which is expected to close by the end of September 2012. The Company also received approval from Debenture holders to amend all of the existing debentures, by extending the timeline for repayment for an additional 36 months, and reducing the interest rate payable on the outstanding indebtedness from 18% to 14%. All proceeds raised will be used to fund operations of the Company. As of August 21, 2012, the Company collected approximately $393,783 of the above mentioned financing.

Subsequent Events

On August 2, 2012, the Company announced that it began discussions with additional investors to participate in its ongoing private placement, given the timing difficulties the Company has had with its current investors. The current investors have indicated that they still intend to invest the remaining balance of funds, but have been unable to meet the Company's deadline. To accommodate this new investor interest, the Company is extending the closing of its private placement to now close on or about September 30, 2012.

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.

In the Company's year-end filings, the Company's CEO and CFO certify, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design of the Company's disclosure controls and procedures, and the design of internal controls over financial reporting.

The CEO and CFO of the Company have also evaluated whether there were changes to the Company's internal control over financial reporting during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting. There were no changes identified during their evaluation.

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

3. 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
- 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
President and Chief Executive Officer

CORPORATE INFORMATION

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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*
Justin D. C. LaFayette	*Member of Audit Committee and Compensation Committee*
Sander Shalinsky	

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*
Karen R. Dealy	*President, Advertising Operations*

Stock Exchange Listing

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

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