



**YANGAROO Inc.**  
**For the nine months ended September 30, 2016**  
**Management Discussion and Analysis**

**Introduction**

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

This Management 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 audited financial statements and related notes for the year ended December 31, 2015.

**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 the Company’s 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 an indicator of performance, liquidity or cash flows. The Company’s method of calculating these measures may differ from the methods used by other entities and accordingly, these 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 other nonrecurring items. 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.

Gross margin as defined by the Company means total revenues less total variable costs, excluding fixed costs. Gross margin is derived from the statements of comprehensive loss, and can be computed as total revenues, including advertising, music audio & video and awards management revenue streams, less total variable costs, including commission costs related to sales personnel, any royalty payments, and production and offline delivery costs related to its advertising production activities. The Company does not incur fixed costs as it sells technology services, not tangible goods, thus the calculation of gross margin excludes fixed costs.

The Company believes EBITDA and gross margin are useful measures because they provide 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 November 22, 2016. 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 November 22, 2016. 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 13, 2016, the Company announced a grant of stock options (the "Options") in accordance with the terms and conditions of the Company's stock option plan to certain officers, insiders, employees and consultants of the Company to purchase an aggregate of 312,500 common shares in the capital stock of the Company.

The Options are exercisable for a period of five years from the date of grant at a price of \$0.15 per share. Following 10% of the Options vesting on the date of grant, the remaining 90% will vest as to a third on each 6 month anniversary following the date of grant.

On January 26, 2016, the Company announced the appointment of Mr. Gerry Hurlow and Mr. Phil Benson as Independent Directors, replacing Mr. Sander Shalinsky and Mr. Gerald Quinn, who have resigned.

The Board of Directors appointed Mr. Hurlow to the Audit Committee and both Mr. Hurlow and Mr. Benson to the Compensation Committee.

On January 26, 2016, the Company withdrew \$100,000 from the Credit Facility, as was previously announced in the news release dated December 14, 2015.

On February 22, 2016, the Company announced that long-form advertising delivery is available through its cloud-based, patented DMDS platform. The new functionality expands the Company's service offerings and positions them for continued growth in the advertising market. Users of the platform are afforded the ability to access one single User Interface (UI) to upload and distribute both short and long-form advertising content digitally to broadcast and cable destinations throughout the United States and Canada. Similar to short-form advertising delivery, YANGAROO's platform also sends a Proof of Delivery (POD) report to the user, which provides signed confirmation that the destination site has taken action with content.

On May 25, 2016, the Company withdrew an additional \$100,000 from the Credit Facility, as was previously announced in the news release dated December 14, 2015.

On June 4, 2016, the Company announced a non-brokered private placement to raise a minimum of \$500,000 and up to \$750,000 through the issuance of a minimum of 3,846,153 and a maximum of 5,769,231 units at \$0.13 per unit, each consisting of one common share and one half of one warrant, each warrant exercisable for a period of 36 months at a price of \$0.20 per warrant.

On June 16, 2016, the Company announced that since the beginning of the year, The BET Awards, The BET Hip Hop Awards, The Soul Train Awards, and The Golden Globes have all renewed their contracts, and many others have expanded the services provided by YANGAROO.

On July 8, 2016, the Company announced that it has closed its first tranche of a non-brokered private placement financing, as previously announced on June 4, 2016. The Company raised grossed proceeds of \$486,810 and issued 3,744,692 common shares and 1,872,345 warrants.

On July 15, 2016, the Company announced the voting results from its Annual and Special General Meeting of shareholders held on July 13, 2016. The five nominees as proposed by the Company were elected to the board of directors, being Mr. Gary Moss, Mr. Anthony Miller, Mr. Howard Atkinson, Mr. Gerry Hurlow, and Mr. Phillip Benson.

The shareholders approved a resolution appointing Collins Barrow Toronto LLP as auditors for the Company for the ensuing year, re-approved and ratified the Company's Shareholder Rights Plan, and re-approved and ratified the Company's 10% rolling stock option plan in accordance with the policies of the TSX Venture Exchange.

On July 21, 2016, the Company announced that it has partnered up with MTV Latin America to deliver music videos digitally and in high definition to all three of the network's feeds covering Latin America, as well as to MTV Tr3s (for the US Hispanic market).

On July 21, 2016, the Company announced it has closed the second and final tranche of a non-brokered private placement financing as previously announced on June 4, 2016. From the second tranche, the

Company raised gross proceeds of \$165,750 and issued 1,275,000 common shares and 637,500 warrants. In aggregate, the Company raised gross proceeds of \$652,560 and issued 5,019,692 common shares and 2,509,845 warrants. The Company did not pay any finders' fees or commissions under the private placement. The Company used the gross proceeds primarily for working capital.

As certain directors of the Company participated in both the first tranche and second tranche of the private placement, directly or indirectly, this private placement constituted a related party transaction under Multilateral Instrument 61-101 ("MI 61-101") and TSX Venture Exchange Policy 5.9. The Company relied on exemptions from the formal valuation and minority approval requirements of MI 61-101, based on a determination that the securities of the Company were listed on the TSX Venture Exchange only and that the fair market value of the private placement, insofar as it involved interested parties, did not exceed 25% of the market capitalization of the Company at the time the private placement was initially announced. The Company did not file a material change report 21 days prior to the closing of the private placement as the private placement had not yet been offered at such time. No new insiders were created, nor has there been any change of control as a result of the private placement.

As required by National Instrument 62-103 The Early Warning System and Related Take Over Bids and Insider Reported Issues, the Company also announced on behalf of Mr. Gerry Hurlow, a director of the Company, that he has, through his corporation, Meteor Capital Inc., subscribed for 1,160,000 units under the first tranche of the private placement, bringing his total holdings, directly and indirectly, to 5,638,500 common shares and 1,780,000 warrants to purchase common shares of the Company. Mr. Hurlow, through Meteor Capital Inc., holds 9.1% of the issued and outstanding shares of the Company on a non-diluted basis, and 11.6% on a fully-diluted basis, which percentages have decreased on final closing of the private placement. Mr. Hurlow, through Meteor Capital Inc., has subscribed for the units for investment purposes. The gross aggregate subscription amount of Mr. Hurlow's subscription to the private placement, was \$150,800.

All securities issued to purchasers under the private placement were subject to a four-month hold period pursuant to securities legislation and the policies of the TSX Venture Exchange, beginning as of July 8, 2016 for securities issued under the first tranche and July 20, 2016 for securities issued under the second tranche.

On August 30, 2016, the Company announced that along with delivering and hosting music releases beginning in September 2016, The IASCA, doing business as YANGAROO Music Ireland (under the previously announced licensing agreement with YANGAROO Inc.), has partnered with Radiomonitor, the airplay monitoring service, to present two new music charts of Irish artists entering, rising and performing well in the radio airplay charts.

On September 1, 2016, the Company announced that Canadian Patent Application No. 2,603,460, titled "MEDIA FILE DISTRIBUTION SYSTEM AND METHOD" (the "Patent"), has been issued by the Canadian Intellectual Property Office. The Patent has a maximum term of twenty years from its filing date, expiring on September 19, 2027.

The Patent relates generally to a file distribution method and system for distributing media files using peer-to-peer file distribution protocols such as BitTorrent, while maintaining security and control over the file distribution.

## 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:

	<b>Q3 2016</b>	<b>Q2 2016</b>	<b>Q1 2016</b>	<b>Q4 2015</b>
Working capital	\$ 1,047,966	\$ 610,202	\$ 974,657	\$ 1,291,810
Sales	\$ 1,262,709	\$ 1,157,618	\$ 1,347,149	\$ 1,610,115
Expenses	\$ 1,487,295	\$ 1,555,057	\$ 1,695,253	\$ 1,275,166
Income (loss) for the period	\$ (228,716)	\$ (398,100)	\$ (348,104)	\$ 331,986
Reconciling items:				
Interest income	\$ (359)	\$ -	\$ (39)	\$ (724)
Interest expense	\$ 11,958	\$ 9,673	\$ 7,117	\$ 4,273
Depreciation of property and equipment	\$ 30,854	\$ 32,488	\$ 33,859	\$ 34,731
Income tax expense	\$ 4,130	\$ 661	\$ -	\$ -
<b>EBITDA income (loss)</b>	\$ (182,133)	\$ (355,278)	\$ (307,167)	\$ 370,266
Income (loss) per share (basic & diluted)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ 0.01

	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q1 2015</b>	<b>Q4 2014</b>
Working capital	\$ 965,235	\$ 1,135,154	\$ 999,556	\$ 1,314,585
Sales	\$ 1,384,533	\$ 1,251,931	\$ 1,242,491	\$ 1,508,617
Expenses	\$ 1,566,015	\$ 1,782,169	\$ 1,647,520	\$ 1,506,957
Income (loss) for the period	\$ (193,933)	\$ (530,238)	\$ (405,029)	\$ 1,660
Reconciling items:				
Interest income	\$ (445)	\$ (296)	\$ (1,126)	\$ (1,972)
Interest expense	\$ 2,286	\$ 1,987	\$ 2,214	\$ 1,762
Depreciation of property and equipment	\$ 32,632	\$ 28,588	\$ 28,808	\$ 26,849
Income tax expense	\$ 12,451	\$ -	\$ -	\$ -
<b>EBITDA income (loss)</b>	\$ (147,009)	\$ (499,959)	\$ (375,133)	\$ 28,299
Income (loss) per share (basic & diluted)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ 0.00

## EBITDA

In the quarter ended September 30, 2016, the Company's EBITDA loss was \$182,133, which increased by \$35,124 (24%) year over year and decreased by \$173,145 (49%) compared to the quarter ended June 30, 2016. The increase in the EBITDA loss from prior year was mainly due to the decrease in advertising revenues, offset by a decrease in operating expenses in the current period. The decrease in the EBITDA loss from prior period was mainly due to the increase in entertainment revenues resulting from seasonal differences, and the decrease in operating expenses, particularly marketing and promotion and technology development costs.

## Normalized EBITDA

Normalized EBITDA excludes the impact of any non-recurring and non-cash operating expenses therefore representing normalized cash flows from operations.

	<b>Q3 2016</b>	<b>Q2 2016</b>	<b>Q1 2016</b>	<b>Q4 2015</b>
EBITDA income (loss)	\$ (182,133)	\$ (355,278)	\$ (307,167)	\$ 370,266
Reconciling items:				
Stock option expenses	\$ 18,659	\$ 14,537	\$ 19,955	\$ (14,327)
Foreign exchange loss (gain)	\$ (15,479)	\$ 14,261	\$ 84,840	\$ (34,895)
Adjustment on accrued royalty	\$ -	\$ -	\$ -	\$ (89,969)
<b>Normalized EBITDA income (loss)</b>	\$ (178,953)	\$ (326,480)	\$ (202,372)	\$ 231,075

	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q1 2015</b>	<b>Q4 2014</b>
EBITDA income (loss)	\$ (147,009)	\$ (499,959)	\$ (375,133)	\$ 28,299
Reconciling items:				
Stock option expenses	\$ 52,699	\$ 82,072	\$ 82,981	\$ 22,224
Foreign exchange loss (gain)	\$ (71,919)	\$ 17,442	\$ (82,222)	\$ (29,122)
Adjustment on accrued royalty	\$ -	\$ -	\$ -	\$ -
<b>Normalized EBITDA income (loss)</b>	\$ (166,229)	\$ (400,445)	\$ (374,374)	\$ 21,401

In the quarter ended September 30, 2016, the Company's normalized EBITDA loss increased by 8% (\$12,724) year over year and decreased by 45% (\$147,527) compared to the quarter ended June 30, 2016. The reasons for the changes from prior year and prior period are consistent with those of the EBITDA discussed above, excluding the impact of the foreign exchange gain.

## Revenue

Total revenue was \$1,262,709, which decreased by 9% (\$121,824) over the same period in 2015 (September 30, 2015 - \$1,384,533) and increased by 9% (\$105,091) from the previous quarter (June 30, 2016 - \$1,157,618).

	<b>Q3 2016</b>	<b>Q3 2015</b>	<b>\$ Change</b>	<b>% Change</b>
Advertising Division	\$ 512,372	\$ 665,783	\$ (153,411)	(23)%
Entertainment Division	\$ 750,337	\$ 718,750	\$ 31,587	4%
<b>Total Revenue</b>	<b>\$ 1,262,709</b>	<b>\$ 1,384,533</b>	<b>\$ (121,824)</b>	<b>(9)%</b>

### (i) Advertising

YANGAROO earned advertising revenue of \$512,372 in the quarter, which marked a 23% (\$153,411) decrease over the same period in 2015 (September 30, 2015 - \$665,783) and a 14% (\$80,108) decrease in revenue from the previous quarter (June 30, 2016 - \$592,480). The decrease from prior year and prior period was mainly the result of several customers losing major brands and the negative impact of the US election on September volumes. The decrease from prior period was also due to seasonal differences.

### (ii) Entertainment

Entertainment Division revenues were \$750,337 for the quarter, which increased by 4% (\$31,587) over the same period in 2015 (September 30, 2015 - \$718,750) and increased by 33% (\$185,199) over those in the previous quarter (June 30, 2016 - \$565,138). The increase from prior year was due to additional services required from an award show in the current quarter. The increase in revenues from prior period was primarily due to seasonal differences in the Awards Management platform. The recognition of revenue from individual award shows within a quarter created quarterly variances.

## Operating Expenses

	Q3 2016	Q3 2015	\$ Change	% Change
Total variable costs	\$ 70,713	\$ 106,299	\$ (35,586)	(33)%
Total fixed costs:				
Salaries and consulting	\$ 1,097,149	\$ 1,122,029	\$ (24,880)	(2)%
Marketing and promotion	\$ 108,040	\$ 128,068	\$ (20,028)	(16)%
General and administrative	\$ 182,539	\$ 224,824	\$ (42,285)	(19)%
Technology development (recovery)	\$ (1,844)	\$ 22,241	\$ (24,085)	(108)%
Depreciation of property and equipment	\$ 30,854	\$ 32,632	\$ (1,778)	(5) %
Total fixed costs	\$ 1,416,738	\$ 1,529,794	\$ (113,056)	(7) %
<b>Total operating expenses</b>	<b>\$ 1,487,451</b>	<b>\$ 1,636,093</b>	<b>\$ (148,642)</b>	<b>(9) %</b>

### Variable Costs

Total variable costs for the three months ended September 30, 2016 was \$70,713. This balance marked a 33% (\$35,586) decrease over the same period in the prior year (September 30, 2015 - \$106,299) and a 15% (\$12,403) decrease from the previous quarter (June 30, 2016 - \$83,116). Total variable costs consist of commission, royalty and production and offline delivery expenses. The decrease from prior year was due to transferring certain advertising production activities in-house and thus reducing production and offline delivery expenses, as well as a decrease in commission expense resulting from lower advertising revenue. The decrease from prior period was due to a decrease in commission expense resulting from lower advertising revenue in the current quarter.

### Fixed Costs

Total fixed costs for the three months ended September 30, 2016 was \$1,416,738, which decreased by 7% (\$113,056) over the same period in fiscal 2015 (September 30, 2015 - \$1,529,794) and decreased by 2% (\$28,269) from the previous quarter (June 30, 2016 - \$1,445,007).

#### (i) Salaries and Consulting

Salaries and consulting expense for the three months ended September 30, 2016 was \$1,097,149. This balance marked a 2% (\$24,880) decrease over the same period in the prior year (September 30, 2015 - \$1,122,029) and a 2% (\$17,848) increase from the previous quarter (June 30, 2016 - \$1,079,301). The decrease from prior year was mainly due to lower stock option expenses as fewer options were granted in the current period. The increase from prior quarter was mainly due to the increase in developers hired in the current period.



(ii) Marketing and Promotion

Marketing and promotion expense decreased by 16% (\$20,028) from \$128,068 for the quarter ended September 30, 2015 to \$108,040 for the quarter ended September 30, 2016. This expense decreased by 31% (\$47,573) from the previous quarter (June 30, 2016 - \$155,613). The decrease from prior year and period was mainly due to the decrease in advertising and sponsorship and travel expenses in the current period.

(iii) General and Administrative

General and administrative expense for the three months ended September 30, 2016 was \$182,539, which decreased by 19% (\$42,285) over the same period in the prior year (September 30, 2015 - \$224,824) and increased by 20% (\$30,665) from the previous quarter (June 30, 2016 - \$151,874). The decrease from prior year was mainly due to the termination of services from an investor relations firm during Q4 2015, lower accounting costs for US tax related matters and lower rental expenses in the current period. The increase from the previous quarter was mainly due to the increase in recruitment expenses in the current period.

(iv) Technology Development (Recovery)

For the three months ended September 30, 2016, there was a technology development recovery of \$1,844. This expense decreased by 108% (\$24,085) over the same period in the prior year (September 30, 2015 - expense of \$22,241), and decreased by 107% (\$27,575) from the previous quarter (June 30, 2016 - expense of \$25,731). The decrease from prior year and period was due to an increase in accrual for investment tax credits in the current period.

*Gross Margin*

Gross margin was \$1,191,996 for the three months ended September 30, 2016, which decreased by 7% (\$86,238) over the same period in 2015 (September 30, 2015 - \$1,278,234) and increased by 11% (\$117,494) from the previous quarter (June 30, 2016 - \$1,074,502).

	<b>Q3 2016</b>	<b>Q3 2015</b>	<b>\$ Change</b>	<b>% Change</b>
Total revenues	\$ 1,262,709	\$ 1,384,533	\$ (121,824)	(9)%
Total variable costs	\$ 70,713	\$ 106,299	\$ (35,586)	(33)%
<b>Gross margin</b>	\$ 1,191,996	\$ 1,278,234	\$ (86,238)	(7)%

*Net Loss and Comprehensive Loss*

The Company incurred a net loss of \$228,716 in the current period, representing an 18% (\$34,783) increase from the same period in the prior year (September 30, 2015 - \$193,933). The current period net loss represents a 43% (\$169,384) decrease from the previous quarter (June 30, 2016 - \$398,100). The reasons for the changes from prior year and prior period are consistent with those of the EBITDA and normalized EBITDA discussed above.

## Outlook

Consolidated sales increased over the prior quarter, but decreased over the same quarter in 2015. The late summer was unusually quiet in the US television advertising market as many of the Company's clients did not introduce new campaigns prior to the US election. This appeared to be market wide as confirmed in conversations with both clients and competitors. In the days following the U.S. election, the Company's advertising distribution business has shown indications of beginning to strengthen.

Notwithstanding the decline in sales as discussed above, YANGAROO has had several significant account wins recently which will begin to utilize its services in Q4, or Q1 2017.

YANGAROO continues to monitor and control costs to ensure that cash utilization remains at a minimum, while not impacting the ability of the Company to execute against its plans.

As at November 18, 2016, the Company had cash and cash equivalents balance of \$480,628 and working capital of \$1,066,084.

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 or further utilize its debt facility to fund operations until such point that revenues from its technology platform are able to fund operations. See Going Concern.

## Share Capital

The following securities were outstanding as at November 22, 2016:

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Common shares	61,208,140
Warrants	2,509,845
Stock options - Non vested	172,500
Stock options - Vested	3,949,774

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## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements, other than as disclosed in the financial statements.

## Future Accounting Standards

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, 2015, are as follows:

- IFRS 9 *Financial Instruments* was issued in final form in July 2014 by the IASB 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 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

- In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services.
- 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.

The Company is currently evaluating the impact of the above mentioned standards on financial statements.

## **Critical Accounting Policies and Estimates**

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 or complexity, or areas where assumptions and estimates are significant to the financial statements include the following: share-based payments, revenue recognition, investment tax credits and functional currency.

## **Going Concern**

The 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 nine months ended September 30, 2016, the Company reported a net loss of \$974,920 (2015 - \$1,129,200) and used net cash in operating activities of \$557,477 (2015 - \$1,125,642). 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 additional financing.

The 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 financial statements. Such adjustments could be material.

## **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](http://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	<i>Chair, Member of Audit Committee &amp; Compensation Committee (Chairman)</i>
Gary Moss	<i>Chief Executive Officer &amp; President</i>
Howard Atkinson	<i>Member of Audit Committee (Chairman) &amp; Compensation Committee</i>
Gerry Hurlow	<i>Member of Audit Committee &amp; Compensation Committee</i>
Phil Benson	<i>Member of Compensation Committee</i>

### **Officers**

Gary Moss	<i>Chief Executive Officer &amp; President</i>
Clifford G. Hunt	<i>Chief Operating Officer &amp; Secretary</i>
Michael Galloro	<i>Chief Financial Officer</i>
Richard Klosa	<i>Chief Technology Officer</i>

### **Stock Exchange Listing**

TSX Venture Exchange	<i>Stock Symbol – YOO</i>
OTCBB	<i>Stock Symbol – YOOIF</i>

### **Registrar and Transfer Agent**

Computershare  
100 University Ave., 8<sup>th</sup> Floor  
Toronto, Ontario, Canada M5J 2Y1  
Phone: 1-800-564-6253 Fax: 1-888-453-0330

### **Auditors**

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