

YANGAROO Inc.

Unaudited Condensed Interim Financial Statements

For the Three Months Ended March 31, 2019 and 2018

(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

“Dom Kizek”
Dom Kizek
Chief Financial Officer

May 27, 2019

YANGAROO Inc.

Condensed Interim Statements of Financial Position (Unaudited)

As at

(Expressed in Canadian dollars)

	March 31 2019	December 31 2018 (audited)
Assets		
Current		
Cash and cash equivalents	\$ 1,624,401	\$ 1,441,716
Accounts receivable	1,453,691	1,662,181
Prepaid and sundry assets	286,376	313,595
Contract assets	72,735	124,528
	3,437,203	3,542,020
Non-current		
Property and equipment (note 7)	911,289	170,642
	\$ 4,348,492	\$ 3,712,662
Liabilities		
Current		
Trade and other payables (note 8)	\$ 707,309	\$ 618,820
Contract liabilities	208,335	68,488
Contractual severance payable	28,023	79,594
Current portion of lease obligations (note 9)	265,852	50,675
Debentures (note 11)	590,918	-
	1,800,437	817,577
Non-current		
Debentures (note 11)	-	574,888
Lease obligations (note 9)	562,246	37,953
	562,246	612,841
	2,362,683	1,430,418
Equity		
Share capital (note 12)	32,542,190	32,558,445
Warrant capital (note 14)	203,824	203,824
Contributed surplus	6,463,862	6,366,932
Deficit	(37,224,067)	(36,846,957)
	1,985,809	2,282,244
	\$ 4,348,492	\$ 3,712,662

Commitments and contingencies (note 18)

Subsequent events (note 19)

Approved by the Board of Directors

"Gerry Hurlow"

Director

"Anthony Miller"

Director

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

YANGAROO Inc.

Condensed Interim Statements of Net Income (Loss) and Comprehensive Income (Loss) (Unaudited)
 For the three months ended March 31, 2019 and 2018
 (Expressed in Canadian dollars)

	Three Months Ended March 31,	
	2019	2018
Revenue (note 16)	\$ 1,633,154	\$ 1,949,090
Commission	96,288	84,316
Post-production costs	14,229	19,277
	110,517	103,593
Revenue, net of commission and production costs	1,522,637	1,845,497
Expenses		
Salaries and consulting (notes 13 & 17)	1,451,590	1,418,902
Marketing and promotion	114,965	121,901
General and administrative	151,557	183,789
Technology development	41,819	42,434
Depreciation of property and equipment (note 7)	80,903	30,478
	1,840,834	1,797,504
Income (loss) from operations	(318,197)	47,993
Other income (expenses)		
Interest income	7,433	2,983
Interest expense	(25,964)	(18,600)
Foreign exchange gain (loss)	(40,058)	52,595
	(58,589)	36,978
Net income (loss) before income tax	(376,786)	84,971
Corporate income tax	(324)	-
Net income (loss) and comprehensive income (loss)	\$ (377,110)	\$ 84,971
Basic income (loss) per share (note 15)	\$ (0.01)	\$ 0.00
Diluted income (loss) per share (note 15)	\$ (0.01)	\$ 0.00

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

YANGAROO Inc.

Condensed Interim Statements of Changes in Equity (Unaudited)

For the three months ended March 31, 2019 and 2018

(Expressed in Canadian dollars)

	Number of shares	Share capital	Warrant capital	Contributed surplus	Deficit	Total
Balance at December 31, 2017 (audited)	61,288,140	\$32,545,388	\$203,824	\$6,130,476	\$(37,360,012)	\$1,519,676
Share-based payments (note 13)	-	-	-	101,095	-	101,095
Income for the period	-	-	-	-	84,971	84,971
Balance at March 31, 2018	61,288,140	\$32,545,388	\$203,824	\$6,231,571	\$(37,275,041)	\$1,705,742
Balance at January 1, 2019 (audited)	61,339,140	\$32,558,445	\$203,824	\$6,366,932	\$(36,846,957)	\$2,282,244
Share-based payments (note 13)	-	-	-	96,930	-	96,930
Share repurchased and cancelled (note 12)	(104,500)	(16,255)	-	-	-	(16,255)
Loss for the period	-	-	-	-	(377,110)	(377,110)
Balance at March 31, 2019	61,234,640	\$32,542,190	\$203,824	\$6,463,862	\$(37,224,067)	\$1,985,809

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

YANGAROO Inc.

Condensed Interim Statements of Cash Flows (Unaudited)

For the three months ended March 31, 2019 and 2018

(Expressed in Canadian dollars)

	Three Months Ended March 31,	
	2019	2018
Cash flow from (used in) operating activities		
Net income (loss) for the period	\$ (377,110)	\$ 84,971
Items not affecting cash:		
Depreciation of property and equipment	80,903	30,478
Bad debt expense	5,354	-
Share-based payments (note 13)	96,930	101,095
Accrued contractual severance payable	(51,323)	(50,934)
Unrealized foreign exchange gain (loss)	48,625	(54,051)
Accrued interest on debentures (note 11)	16,029	15,594
Changes in non-cash operating working capital:		
Accounts receivable	208,490	135,102
Prepaid and sundry assets	27,253	(28,582)
Contract assets	(51,793)	(40,767)
Trade and other payables	130,898	88,621
Deferred revenue	-	(14,844)
Contract liabilities	139,846	42,835
Net cash from operating activities	274,102	309,518
Cash flow used in investing activities		
Acquisition of property and equipment (note 7)	(17,416)	(11,483)
Net cash used in investing activities	(17,416)	(11,483)
Cash flow from financing activities		
Payment of lease obligation	(64,663)	(19,890)
Common shares repurchased and cancelled (note 12)	(16,255)	-
Net cash from (used in) financing activities	(80,918)	(19,890)
Net increase in cash	175,768	278,145
Effect of foreign exchange on cash	6,917	17,312
Cash and cash equivalents, beginning of period	1,441,716	1,215,554
Cash and cash equivalents, end of period	\$ 1,624,401	\$ 1,511,011
Cash interest paid	\$ 9,577	\$ 2,176
Finance lease additions	\$ -	\$ -

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

YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)
For the three months ended March 31, 2019 and 2018
(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 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, 2018. 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, 2018.

These financial statements were authorized for issue by the Board of Directors on May 27, 2019.

(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.

The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

2. Basis of Preparation (continued)

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 (note 13).

(ii) Revenue recognition

To the extent a contract includes multiple performance obligations, the Company applies judgement to determine whether these performance obligations are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation. Additionally, recognition of revenue requires significant judgement to determine if revenue is recognized at a point in time or over time.

(iii) Investment tax credits

The Company uses judgement to determine the reasonable assurance of collection and estimates the valuation of investment tax credits to be accrued.

(iv) Functional currency

The Company uses judgement to determine the Company's functional currency.

(v) Collectability of accounts receivable

The Company applies the simplified method to measure loss allowance on accounts receivable at an amount equal to the lifetime expected credit loss (ECL).

3. Significant Accounting Policies

These condensed interim financial statements follow the same accounting policies and methods of their application as the December 31, 2018 annual audited financial statements except as described below for new accounting standards adopted effective January 1, 2019.

YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

New standards and interpretations adopted during the period ended March 31, 2019:

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 “Leases” (“IFRS 16”), which replaces IAS 17 “Leases”, and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for most leases on its balance sheet, as well as corresponding depreciation and interest expense. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Company typically leases office space for fixed periods of 1-5 years but may have extension options. The lease terms are negotiated on an individual basis and contains a wide range of different terms and conditions. The lease agreements do not impose any covenants, but the leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of lease.

Effective January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. The lease liability is measured at amortized cost using the effective interest method. The finance cost is charged to profit and loss and right-of-use asset depreciated over the shorter of the life of the asset and the lease term on a straight-line basis.

The Company adopted IFRS 16 for the annual period beginning January 1, 2019 using the modified retrospective approach without restating the financial statements on a retrospective basis. The Company assessed the impact of the new standard on its systems and processes and evaluated the practical expedients and policy choices that are available under the standard. As such, the Company has elected not to recognize assets and lease liabilities for short-term leases, that have a lease term of 12 months or less, and leases of low-value assets. Lease payments associated with these leases will be recognized as a straight-line expense over the lease term.

Adoption of IFRS 16 resulted in the recognition of additional lease liabilities and right-of-use assets on the balance sheet, a corresponding increase in depreciation and interest expense representing the accretion of the discount on the lease liability, and a decrease in lease and rental expenses. Cash flow from operating activities is increased under IFRS 16 as lease payments for additional right-of-use asset leases are recorded as financing outflows in the statement of cash flows. The liabilities were measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.5%, consistent with the Company’s incremental cost of capital and other finance leases in place.

YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)
For the three months ended March 31, 2019 and 2018
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3. Significant Accounting Policies (continued)

For leases previously classified as finance leases the Company recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles are only applied after that date and did not result in any measurement adjustments as all leases identified do not have material residual value guarantees, variable lease rates or expected term renewals at transition.

The Company's only additional right-of-use leased assets recognized at transition were property leases. The associated right-of-use assets for property leases were measured on a modified retrospective basis as if the new rules had always been applied. There are no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	January 1, 2019
Operating lease commitments disclosed as at December 31, 2018	\$ 839,027
Operating leases discounted using incremental borrowing rate at initial application	\$ 804,134
Add: finance lease liabilities recognized at December 31, 2018	\$ 88,628
Total	\$ 892,762

	January 1, 2019
Current lease liabilities	\$ 263,702
Non-current lease liabilities	\$ 629,060
Total	\$ 892,762

4. Fair Value Measurement

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.

YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)
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(Expressed in Canadian dollars)

4. Fair Value Measurement (continued)

The following tables illustrate the differences in the classification of the Company's financial instruments under IFRS 9:

	December 31 2018 (audited)
Fair value through profit or loss (i)	\$ 1,421,620
Loans and receivables (ii)	\$ 1,806,805
Other financial liabilities (iii)	\$ 1,361,930

	March 31 2019
Fair value through profit or loss (i)	\$ 1,624,401
Amortized cost - financial assets (ii)	\$ 1,526,426
Amortized cost - financial liabilities (iii)	\$ 2,154,348

- (i) Cash
- (ii) Accounts receivable and contract assets
- (iii) Trade and other payables, finance lease obligation, debentures, and contractual severance payable

5. 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, 2019.

6. Comparative Figures

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

YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

7. Property and Equipment

	Office Equipment	Computer Equipment	Computer Software	Right-of-Use Office Property	Leasehold Improvements	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, January 1, 2018	34,367	584,025	254,638	-	8,246	881,276
Additions	-	39,786	20,114	-	2,029	61,929
Disposals	-	(6,373)	-	-	-	(6,373)
Balance, December 31, 2018	34,367	617,438	274,752	-	10,275	936,832
Additions	-	-	17,416	804,134	-	821,551
Balance, March 31, 2019	34,367	617,438	292,168	804,134	10,275	1,758,383
Accumulated depreciation						
Balance, January 1, 2018	25,238	436,479	196,762	-	675	659,154
Depreciation expense	2,854	79,142	29,443	-	1,971	113,410
Disposals	-	(6,374)	-	-	-	(6,374)
Balance, December 31, 2018	28,092	509,247	226,205	-	2,646	766,190
Depreciation expense	714	16,172	7,383	56,102	532	80,903
Balance, March 31, 2019	28,806	525,419	233,588	56,102	3,178	847,093
Carrying amounts						
December 31, 2018	6,275	108,191	48,547	-	7,629	170,642
March 31, 2019	5,561	92,019	58,580	748,032	7,097	911,289

Included in property and equipment are computer equipment, computer software, and right of way office property under finance leases with a cost of \$1,267,321 (2018 - \$463,187). Accumulated depreciation for items under finance leases is \$448,623 (2018 - \$380,041).

8. Trade and Other Payables

	March 31 2019	December 31 2018
Trade payables	\$ 248,560	\$ 181,715
Non-trade payables	458,749	437,105
	\$ 707,309	\$ 618,820

9. Lease Obligations

The Company has assumed finance lease obligations until 2022 with purchase options at the end of each lease term. The monthly lease payments consist of principal repayment and interest and the weighted average imputed interest rate is 4.20%. The minimum payments under the finance lease are as follows:

YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

9. Lease Obligations (continued)

2019	\$	221,670
2020		275,677
2021		247,356
2022		100,055
		<hr/> 844,758
Less: imputed interest		(16,660)
		<hr/> 828,098
Less: current portion		(265,852)
		<hr/>
Long term portion	\$	562,246

10. 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, 2019, the Company had a balance outstanding of \$Nil (December 31, 2018 - \$Nil) on this line of credit.

See Note 19 Subsequent Events.

11. 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 a previously existing credit facility with the balance used for general working capital purposes. The Debentures mature three years from the closing (the "Closing Date") of the Offering (the "Maturity Date"), or on February 24, 2020, 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 "Debenture Holders"). The Debentures bear interest at a rate of 10% per annum, which accrues and becomes due on the Maturity Date, subject to Early Repayment.

YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)
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(Expressed in Canadian dollars)

11. Debentures (continued)

The Company also issued to the Debenture Holders 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 (note 14). The accretion expense was \$3,529 for the three months ended March 31, 2019 (March 31, 2018 - \$3,094). The securities issued pursuant to the Offering were 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, 2019:

Maturity Date	Carrying Value	Face Value	Stated Interest Rate	Effective Interest Rate
February 24, 2020	\$ 486,195	\$ 500,000	10%	13%

The Company has accrued interest on the Debentures, which are payable at maturity, as at March 31, 2019 of \$104,723 (December 31, 2018 - \$92,222).

See Note 19 Subsequent Events, as the Company has announced early repayment of the Debentures.

12. 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, 2018 to March 31, 2019:

	Number of shares	Value
Balance at January 1, 2018	61,288,140	\$ 32,545,388
Exercise of options on July 20, 2018 ^(a)	51,000	13,057
Balance at December 31, 2018	61,339,140	\$ 32,558,445
Share buyback ^(b)	(104,500)	(16,255)
Balance at March 31, 2019	61,234,640	\$ 32,542,190

YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian dollars)

12. Share Capital (continued)

- (a) Exercise of 30,000 stock options at a price of \$0.18 per unit for gross proceeds of \$5,400 and exercise of 21,000 options at a price of \$0.10 per unit for gross proceeds of \$2,100. The initial value of \$5,557 related to the options' original issuances was reclassified from contributed surplus to share capital.
- (b) On December 20, 2018, the Company announced a normal course issuer bid to commence on January 2, 2019 and continue through to December 31 2019, to purchase and cancel up to a maximum of 3,066,957 common shares representing 5% of the outstanding shares of the Company. As of March 31, 2019, the Company has purchased and cancelled 104,500 shares at a weighted average price of \$0.16 / share.

13. Share-Based Payments

The Company has a 12% fixed stock option 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 January 1, 2018	\$ 0.200	5,409,000	4,300,500	2.26
Granted	0.280	1,392,500		
Forfeited	0.240	(209,000)		
Expired	0.250	(1,535,000)		
Exercised	0.150	(51,000)		
Balance at December 31, 2018	\$ 0.210	5,006,500	4,199,500	2.45
Granted	0.155	2,255,000		
Forfeited	0.215	(9,500)		
Expired	0.340	(750,000)		
Exercised	-	-		
Balance at March 31, 2019	\$ 0.190	6,502,000	4,062,250	3.36

For the period ended March 31, 2019, the fair value of options granted was \$268,146 (2018 - \$277,282).

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 period ended March 31, 2019 was \$96,930 (March 31, 2018 - \$101,095).

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13. Share-Based Payments (continued)

The fair value of the Company's stock options grants was estimated using the Black-Scholes option pricing model. Stock options granted during the periods ended March 31, 2019 and 2018 used the following weighted average assumptions:

	March 31 2019	March 31 2018
Volatility (based on historical share prices)	83%	92%
Risk-free interest rate	1.89%	1.89%
Expected life (years)	5.00	5.00
Dividend yield	Nil	Nil
Forfeiture rate	12%	12%
Underlying share price	\$0.15	\$0.28

The Company had the following stock options outstanding at March 31, 2019:

Number of options	Number of non-vested options	Number of vested options	Exercise price	Expiry date
25,000	-	25,000	\$0.300	May 28, 2019
27,000	-	27,000	\$0.350	June 20, 2019
32,500	-	32,500	\$0.280	September 2, 2019
2,500	-	2,500	\$0.120	November 21, 2019
922,500	-	922,500	\$0.180	January 26, 2020
237,500	-	237,500	\$0.150	January 11, 2021
5,000	-	5,000	\$0.115	September 6, 2021
1,117,500	-	1,117,500	\$0.100	January 10, 2022
500,000	-	500,000	\$0.140	May 1, 2022
75,000	22,500	52,500	\$0.120	August 25, 2022
1,307,500	392,250	915,250	\$0.275	January 8, 2023
2,150,000	1,935,000	215,000	\$0.155	January 4, 2024
100,000	90,000	10,000	\$0.150	February 20, 2024
6,502,000	2,439,750	4,062,250	\$0.173	

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Notes to the Condensed Interim Financial Statements (Unaudited)
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14. Warrants

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

	Number of warrants	Amount	Weighted average exercise price
Balance at January 1, 2018	3,009,845	\$ 203,824	\$ 0.19
Warrants issued	-	-	-
Balance at December 31, 2018	3,009,845	\$ 203,824	\$ 0.19
Warrants issued	-	-	-
Balance at March 31, 2019	3,009,845	\$ 203,824	\$ 0.19

The Company had the following warrants outstanding and exercisable at March 31, 2019:

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 11). 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 Condensed Interim Financial Statements (Unaudited)
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15. Basic and Diluted Income (Loss) per Share

The income (loss) and weighted average number of common shares used in the calculation of basic and diluted income (loss) per share for the periods ended March 31, 2019 and 2018 were as follows:

	March 31 2019	March 31 2018
Numerator:		
Net income (loss) and comprehensive income (loss) for the period	\$ (377,110)	\$ 84,971
Denominator:		
Weighted average number of common shares - basic	61,273,701	61,288,140
Adjustments for calculation of diluted income per share:		
Options and warrants in the money	-	7,036,845
Weighted average number of common shares - diluted	61,273,701	68,324,985
Basic income (loss) per share	\$ (0.01)	\$ 0.00
Diluted income (loss) per share	\$ (0.01)	\$ 0.00

YANGAROO Inc.

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16. Segmented Information

The Company provides DMDS and Awards 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 Chief Executive Officer 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 period ended March 31, 2019	Canada	US	Other	Total
Advertising	\$ 102,095	\$ 864,379	\$ -	\$ 966,474
Entertainment				
Music ⁽ⁱ⁾	170,486	265,817	-	436,303
Awards management	58,855	171,522	-	230,377
Licensing ⁽ⁱⁱ⁾	-	-	-	-
	229,341	437,339	-	666,680
Total revenue	\$ 331,436	\$ 1,301,718	\$ -	\$ 1,633,154
Property and equipment	\$ 906,739	\$ 4,550	\$ -	\$ 911,289
For the period 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	\$ 383,911	\$ 1,553,542	\$ 11,637	\$ 1,949,090
Property and equipment	\$ 196,078	\$ 7,049	\$ -	\$ 203,127

⁽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 Condensed Interim Financial Statements (Unaudited)
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17. 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 stock option program (note 13).

Key management personnel compensation is as follows:

	March 31 2019	March 31 2018
Salaries and short-term employee benefits ⁽ⁱ⁾	\$ 315,181	\$ 301,991
Share-based payments	86,673	86,457
	\$ 401,854	\$ 388,448

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

18. Commitments and Contingencies

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 period ended March 31, 2019.

19. Subsequent Events

On May 23, 2019, the Company announced it closed a \$750,000 revolving demand loan facility and a \$150,000 lease facility (together, the "Loan Facility"). The revolving demand loan has a maximum draw capacity of \$750,000 bearing interest at prime plus 0.5 percent per annum. Borrowings under the revolving demand facility are due on demand and are secured by a general security agreement. The lease facility has a maximum draw capacity of \$150,000 bearing interest at 5.0 percent per annum, with payment terms over 2-4 years.

On May 23, 2019, the Company announced the early repayment of Debentures in conjunction with the closing of the Loan Facility. The extinguishment of the Debentures is expected to be completed in the second quarter of 2019.