

# **YANGAROO Inc.**

Unaudited Condensed Interim Financial Statements

For the Three Months Ended March 31, 2015 and 2014

(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 Accountants for a review of interim financial statements by an entity’s auditor. These unaudited condensed interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

“Gary Moss”

Gary Moss  
Chief Executive Officer

“Michael Galloro”

Michael Galloro  
Chief Financial Officer

May 26, 2015

# YANGAROO Inc.

Unaudited Condensed Interim Statements of Financial Position

As at

(Expressed in Canadian dollars)

	March 31 2015	December 31 2014 (audited)
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 325,423	\$ 712,729
Accounts receivable	1,095,219	1,058,097
Prepaid and sundry assets	298,884	264,383
	<b>1,719,526</b>	<b>2,035,209</b>
Property and equipment	198,798	205,690
	<b>\$ 1,918,324</b>	<b>\$ 2,240,899</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables (note 5)	\$ 654,213	\$ 535,216
Deferred revenue	1,063	126,398
Finance lease obligation	64,694	59,010
	<b>719,970</b>	<b>720,624</b>
Finance lease obligation	57,184	57,057
	<b>777,154</b>	<b>777,681</b>
<b>Shareholders' Equity</b>		
Share capital (note 7)	31,498,041	31,498,041
Warrant capital (note 9)	2,230,254	2,230,254
Contributed surplus	3,622,997	3,540,016
Deficit	<b>(36,210,122)</b>	<b>(35,805,093)</b>
	<b>1,141,170</b>	<b>1,463,218</b>
	<b>\$ 1,918,324</b>	<b>\$ 2,240,899</b>

Going concern (note 2(c))

Commitments and contingencies (note 11)

Subsequent events (note 15)

Approved by the Board

"Cliff Hunt"

Director

"Howard Atkinson"

Director

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

# YANGAROO Inc.

Unaudited Condensed Interim Statements of Comprehensive Loss

For the three months ended March 31

(Expressed in Canadian dollars)

	2015	2014
<b>Revenue</b>	<b>\$ 1,242,491</b>	<b>\$ 899,612</b>
<b>Expenses</b>		
Salaries and consulting	1,264,689	1,065,774
Marketing and promotion	120,928	143,750
General and administrative	287,508	191,603
Technology development (recovery)	26,721	(69,369)
Depreciation of property and equipment	28,808	17,322
	<b>1,728,654</b>	<b>1,349,080</b>
<b>Loss from operations</b>	<b>(486,163)</b>	<b>(449,468)</b>
<b>Finance income (expenses)</b>		
Interest income	1,126	1,527
Interest expense	(2,214)	(76,852)
Foreign exchange gain	82,222	29,912
	<b>81,134</b>	<b>(45,413)</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (405,029)</b>	<b>\$ (494,881)</b>
<b>Loss per share (note 10)</b>	<b>\$ (0.008)</b>	<b>\$ (0.012)</b>

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

# YANGAROO Inc.

## Unaudited Condensed Interim Statements of Changes in Equity (Deficiency)

For the three months ended March 31

(Expressed in Canadian dollars)

	Share capital	Warrant capital	Contributed surplus	Deficit	Total
Balance at December 31, 2013	\$27,984,047	\$2,177,455	\$3,076,340	\$(34,010,668)	\$ (772,826)
Share-based payments (note 8)	-	-	149,780	-	149,780
Loss for the period	-	-	-	(494,881)	(494,881)
Balance at March 31, 2014	\$27,984,047	\$2,177,455	\$3,226,120	\$(34,505,549)	\$(1,117,927)
Private placement (notes 7 & 9)	3,437,344	147,767	-	-	3,585,111
Exercise of warrants (note 9)	76,650	(26,650)	-	-	50,000
Expiry of warrants (note 9)	-	(68,318)	68,318	-	-
Share-based payments (note 8)	-	-	245,578	-	245,578
Loss for the period	-	-	-	(1,299,544)	(1,299,544)
Balance at December 31, 2014	\$31,498,041	\$2,230,254	\$3,540,016	\$(35,805,093)	\$1,463,218
Share-based payments (note 8)	-	-	82,981	-	82,981
Loss for the period	-	-	-	(405,029)	(405,029)
Balance at March 31, 2015	\$31,498,041	\$2,230,254	\$3,622,997	\$(36,210,122)	\$1,141,170

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

# YANGAROO Inc.

Unaudited Condensed Interim Statements of Cash Flows

For the three months ended March 31

(Expressed in Canadian dollars)

	2015	2014
<b>Cash flow from operating activities</b>		
Cash flow used in operating activities:		
Net loss for the period	\$ (405,029)	\$ (494,881)
Items not affecting cash:		
Depreciation of property and equipment	28,808	17,322
Bad debt expense	687	744
Share-based payments	82,981	149,780
Accretion interest	-	7,106
Accrued interest on debentures	-	68,053
Changes in non-cash operating working capital:		
Accounts receivable	(37,809)	37,734
Prepaid and sundry assets	(34,501)	(118,412)
Trade and other payables	118,997	91,055
Deferred revenue	(125,335)	10,339
<b>Net cash used in operating activities</b>	<b>(371,201)</b>	<b>(231,160)</b>
<b>Cash flow used in investing activities</b>		
Acquisition of property and equipment	-	(3,537)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(3,537)</b>
<b>Cash flow used in financing activities</b>		
Payment of finance lease obligation	(16,105)	(8,983)
<b>Net cash used in financing activities</b>	<b>(16,105)</b>	<b>(8,983)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(387,306)</b>	<b>(243,680)</b>
<b>Cash and cash equivalents at January 1</b>	<b>712,729</b>	<b>764,760</b>
<b>Cash and cash equivalents at March 31</b>	<b>\$ 325,423</b>	<b>\$ 521,080</b>
<b>Cash interest paid</b>	<b>\$ 2,214</b>	<b>\$ 1,693</b>
<b>Capital lease additions</b>	<b>\$ 21,916</b>	<b>\$ 65,270</b>

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

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months ended March 31, 2015 and 2014  
(Expressed in Canadian dollars)

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## 1. Nature of Operations

YANGAROO Inc. ("Company") is a technology company that is the provider of user friendly and secure business to business distribution of media via the Internet. The Company's patented Digital Media Distribution System (DMDS) is a secure B2B digital media management solution for the entertainment and advertising industries. DMDS is an end to end technology solution that provides a fully integrated work flow based digital distribution and data management solution. DMDS provides audio and video content for music, music videos, and advertising to television, radio, media, retailers, award shows and other authorized recipients with more accountable, effective, and far less costly digital distribution of broadcast quality media via the Internet.

YANGAROO Inc. is a publicly listed company incorporated on July 28, 1999 under the laws of Ontario as Musicrypt.com Inc. and changed to its present name on July 17, 2007. YANGAROO trades on the TSX Venture Exchange (TSX-V) under the symbol YOO and in the U.S. under OTCBB: YOOIF.

The address of the Company's corporate office and principal place of business is 18 Mowat Avenue, Toronto, Ontario M6K 3E8.

## 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, 2014. 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 3 of the Company's financial statements for the year ended December 31, 2014.

These statements should be read in conjunction with the audited financial statements for the year ended December 31, 2014. These statements were approved by the Board of Directors on May 26, 2015.

### (b) Basis of measurement

The unaudited condensed interim financial statements have been prepared on the historical cost basis except certain financial instruments recorded at fair value through profit and loss. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy.

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months ended March 31, 2015 and 2014  
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## 2. Basis of Preparation (continued)

### (b) Basis of measurement (continued)

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

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the following notes:

#### (i) Share-based payments

Share-based payments which include stock options granted to employees, officers and directors and warrants 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 Black-Scholes option pricing model.

#### (ii) Fair value of financial instruments

The Company estimated the fair value of the amended debentures using an estimated market interest rate derived from comparable companies.

#### (iii) Revenue recognition

The Company uses estimates to determine the percentage of completion of certain milestones for the awards management revenue stream. The Company also uses judgement in recognizing its licensing revenue.

#### (iv) Investment tax credits

The Company uses judgement to determine the recognition of investment tax credits.

### (c) Going concern

These financial statements have been prepared using IFRS applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the three months ended March 31, 2015, the Company reported a net loss of \$405,029 and used net cash in operating activities of \$371,201. 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 (note 7).



# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months ended March 31, 2015 and 2014  
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## 2. Basis of Preparation (continued)

### (c) Going concern (continued)

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements. Such adjustments could be material.

## 3. Significant Accounting Policies

The unaudited condensed interim financial statements are prepared in accordance with IFRS and follow the same accounting policies and methods of their application as the most recent audited financial statements for the year ended December 31, 2014. These unaudited condensed financial statements should be read in conjunction with those audited financial statements.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee ("IFRIC") that are applicable for accounting periods beginning after December 31, 2014, 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, 2017. Earlier application is permitted. IFRS 15 supersedes the following

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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### 3. Significant Accounting Policies (continued)

New standards and interpretations not yet adopted (continued)

- 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.

### 4. Operating Line of Credit

The Company has available an operating line of credit of \$20,000. Borrowings under the operating line of credit are due on demand and bear interest at prime plus 2.5% per annum and are secured by a general security agreement. As of March 31, 2015, the Company had a balance outstanding of \$Nil (December 31, 2014 - \$Nil) on this line of credit.

### 5. Trade and Other Payables

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	<b>March 31 2015</b>	December 31 2014 (audited)
Trade payables	<b>\$ 278,816</b>	\$ 193,434
Non-trade payables	<b>375,397</b>	341,782
	<b>\$ 654,213</b>	\$ 535,216

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# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months ended March 31, 2015 and 2014  
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## 6. Debentures

On June 11, 2014, the Company announced that it had redeemed all of its outstanding debentures early, without penalty and in full for the aggregate amount of \$2,327,877 in principal and interest, entering into debenture redemption agreements with the debenture holders. The difference between the redeemed amount and the carrying value of the debentures, which included accrued interest, was recorded in loss from extinguishment of debt.

## 7. 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, 2014 to March 31, 2015:

	Number of shares	Value
Balance at December 31, 2013 and March 31, 2014	40,089,279	\$ 27,984,047
Issued for cash on May 30, 2014 <sup>(a)</sup>	8,236,669	2,140,154
Issued for cash on June 11, 2014 <sup>(b)</sup>	4,053,334	1,043,027
Issued for cash on August 25, 2014 <sup>(c)</sup>	1,000,000	254,163
Exercise of warrants <sup>(d)</sup>	200,000	76,650
<b>Balance at December 31, 2014 and March 31, 2015</b>	<b>53,579,282</b>	<b>\$ 31,498,041</b>

(a) The Company issued 8,236,669 shares at a price of \$0.30 per share for gross proceeds of \$2,471,000 by way of a private placement. The proceeds were used primarily to repay existing indebtedness in the form of debentures (note 6). Share issuance costs of \$243,915 have been netted against share capital and \$86,931 has been allocated to 534,567 warrants issued to agents in connection with the private placement (note 9).

(b) The Company issued 4,053,334 shares at a price of \$0.30 per share for gross proceeds of \$1,216,000 by way of a private placement. Share issuance costs of \$120,692 have been netted against share capital and \$52,281 has been allocated to 283,734 warrants issued to agents in connection with the private placement (note 9).

(c) The Company issued 1,000,000 shares at a price of \$0.30 per share for gross proceeds of \$300,000 by way of a private placement. Share issuance costs of \$37,282 have been netted against share capital and \$8,555 has been allocated to 70,000 warrants issued to agents in connection with the private placement (note 9).

(d) On September 26, 2014, 200,000 warrants were exercised for cash proceeds of \$50,000. The fair value of \$26,650 related to the warrant exercise was reclassified from warrants to share capital (note 9). The market value of the warrants on the date of exercise was \$40,000.

# **YANGAROO Inc.**

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months ended March 31, 2015 and 2014  
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## **8. Share-Based Payments**

On October 1, 2013, the Company announced that it had amended its "fixed" stock option plan (the "Old Plan") to a 10% "rolling" plan (the "Amended Plan").

Under the Old Plan, the Company had reserved a fixed number of 11,804,761 (pre-consolidation) common shares for the grant of stock options. Under the Amended Plan, the Company is entitled to grant stock options to purchase up to 10% of the issued capital of the Company at the time of an applicable option grant.

The Amended Plan was approved by the TSX Venture Exchange on September 25, 2013 as well as the Company's shareholders at the Annual and Special Meeting of the Shareholders held on August 14, 2014.

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months ended March 31, 2015 and 2014  
(Expressed in Canadian dollars)

## 8. Share-Based Payments (continued)

The Company had issued stock options to acquire common shares as follows:

	Weighted average exercise price	Outstanding options	Vested options	Weighted average remaining life (years)
Balance at December 31, 2013	\$ 0.46	3,015,298	893,548	4.08
Granted	0.34	852,500		
Forfeited	0.97	(8,000)		
Balance at March 31, 2014	\$ 0.43	3,859,798	1,050,798	4.08
Granted	0.29	177,000		
Expired	1.09	(42,500)		
Forfeited	0.29	(150,000)		
Cancelled	0.30	(108,000)		
Balance at December 31, 2014	\$ 0.42	3,736,298	2,548,048	3.39
Granted	0.18	1,092,500		
<b>Balance at March 31, 2015</b>	<b>\$ 0.37</b>	<b>4,828,798</b>	<b>2,917,548</b>	<b>3.52</b>

For the three months ended March 31, 2015, the fair value of the options granted was \$153,965 (March 31, 2014 - \$238,547).

The estimated fair value of the options is expensed over the vesting period. The compensation expense and charge to contributed surplus relating to the stock options for the three months ended March 31, 2015 was \$82,981 (March 31, 2014 - \$149,780). The fair value of all the Company's stock options was estimated using the Black-Scholes option pricing model. Stock options granted during the three months ended March 31, 2015 used the following assumptions:

	March 31 2015	March 31 2014
Volatility (based on historical share prices)	109%	119%
Risk-free interest rate	0.79%	1.63%
Expected life (years)	5	5
Dividend yield	Nil	Nil
Forfeiture rate	10%	10%
Underlying share price	\$0.18	\$0.34

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months ended March 31, 2015 and 2014  
(Expressed in Canadian dollars)

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## 8. Share-Based Payments (continued)

The Company had the following stock options outstanding at March 31, 2015:

Number of options	Number of non-vested options	Number of vested options	Exercise price	Expiry date
40,000	-	40,000	\$1.00	April 20, 2015
143,000	85,000	58,000	\$1.00	February 11, 2016
186,026	-	186,026	\$1.00	August 18, 2016
60,000	-	60,000	\$1.00	December 13, 2017
276,828	-	276,828	\$1.00	December 20, 2017
20,946	-	20,946	\$1.00	December 21, 2017
1,745,000	523,500	1,221,500	\$0.25	October 1, 2018
320,000	-	320,000	\$0.35	October 15, 2016
7,500	2,250	5,250	\$0.25	November 1, 2018
7,498	-	7,498	\$0.25	November 18, 2016
752,500	225,750	526,750	\$0.34	March 3, 2019
30,000	18,000	12,000	\$0.30	May 28, 2019
27,000	-	27,000	\$0.35	June 20, 2019
115,000	69,000	46,000	\$0.28	September 2, 2019
5,000	4,500	500	\$0.12	November 21, 2019
1,092,500	983,250	109,250	\$0.18	January 26, 2020
<b>4,828,798</b>	<b>1,911,250</b>	<b>2,917,548</b>	<b>\$0.37</b>	

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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## 9. Warrants

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

	Number of warrants	Amount	Weighted average exercise price
Balance at December 31, 2013 and March 31, 2014	12,897,055	\$ 2,177,455	\$ 0.44
Warrants issued (note 7)	534,567	86,931	0.30
Warrants issued (note 7)	283,734	52,281	0.30
Warrants issued (note 7)	70,000	8,555	0.30
Warrants expired	(167,200)	(68,318)	1.00
Warrants exercised (note 7)	(200,000)	(26,650)	0.25
<b>Balance at December 31, 2014 and March 31, 2015</b>	<b>13,418,156</b>	<b>\$ 2,230,254</b>	<b>\$ 0.48</b>

The Company had the following warrants outstanding and exercisable at March 31, 2015:

Number of warrants	Exercise price	Expiry date
687,565 (i)	\$1.00	September 7, 2015
1,850,000 (ii)	\$1.00	October 3, 2015
630,000 (iii)	\$1.00	December 13, 2015
6,200,000 (iv)	\$0.35	September 30, 2016
443,200 (v)	\$0.25	October 7, 2016
2,382,726 (vi)	\$0.25	October 7, 2016
336,364 (vii)	\$0.35	October 7, 2016
534,567 (viii)	\$0.30	May 30, 2016
283,734 (ix)	\$0.30	June 11, 2016
70,000 (x)	\$0.30	August 25, 2016
<b>13,418,156</b>		

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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## 9. Warrants (continued)

- (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 119%; (III) a risk free rate of 1.25%; 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 116%; (III) a risk free rate of 1.14%; and (IV) an expected life of 3 years.
- (iii) 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 114%; (III) a risk free rate of 1.19%; and (IV) an expected life of 3 years.
- (iv) 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 114%; (III) a risk free rate of 1.4%; and (IV) an expected life of 3 years.
- (v) These warrants were issued to agents 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 114%; (III) a risk free interest rate of 1.40% and (IV) an expected life of 3 years.
- (vi) These warrants were issued as part of the amended debenture agreements. 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 115%; (III) a risk free interest rate of 1.39% and (IV) an expected life of 3 years.
- (vii) These warrants were issued to advisors in connection with the shares for debt transaction and debenture amendment. The fair value of the warrants issued was based on the advisory agreement with FMMC.
- (viii) These warrants were issued to agents as part of the private placement (note 7). 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 98%; (III) a risk free interest rate of 1.05% and (IV) an expected life of 2 years.
- (ix) These warrants were issued to agents as part of the private placement (note 7). 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 97%; (III) a risk free interest rate of 1.07% and (IV) an expected life of 2 years.



# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
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## 9. Warrants (continued)

- (x) These warrants were issued to agents as part of the private placement (note 7). 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 95%; (III) a risk free interest rate of 1.09% and (IV) an expected life of 2 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.

## 10. Loss per Share

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	<b>March 31 2015</b>	March 31 2014
Numerator:		
Net loss and comprehensive loss for the period	<b>\$ (405,029)</b>	\$ (494,881)
Denominator:		
Weighted average number of common shares	<b>53,579,282</b>	40,089,279
Basic and diluted loss per share	<b>\$ (0.008)</b>	\$ (0.012)

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For the above-mentioned periods, the Company had securities outstanding which could potentially dilute basic earnings per share in the future, but were excluded from the computation of dilutive net loss per share in the periods presented, as their effect would have been anti-dilutive. Such outstanding securities consist of the following:

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	<b>March 31 2015</b>	March 31 2014
Options	<b>4,828,798</b>	3,859,798
Warrants	<b>13,418,156</b>	12,897,055

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## 11. Commitments and Contingencies

### (a) Litigation

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

# YANGAROO Inc.

Notes to the Unaudited Condensed Interim Financial Statements  
For the three months ended March 31, 2015 and 2014  
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## 11. Commitments and Contingencies (continued)

### (b) Leases

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

2015	\$ 67,301
2016	89,735
2017	67,301
	<hr/>
	\$ 224,337

## 12. 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, 2015.

## 13. Related Party Transactions

Key management personnel are comprised of the Company's directors and executive officers. In addition to their salaries, key management personnel also participate in the Company's share option program (note 8).

Key management personnel compensation is as follows for the three months ended:

	<b>March 31 2015</b>	March 31 2014
Salaries and short-term employee benefits <sup>(i)</sup>	<b>\$ 205,747</b>	\$ 259,740
Share-based payments	<b>73,888</b>	126,490
	<hr/>	
	<b>\$ 279,635</b>	\$ 386,230

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

For the three months ended March 31, 2015, legal fees of \$12,890 (March 31, 2014 - \$11,745) were incurred to a law firm of which one partner is a Director of the Company.

# YANGAROO Inc.

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## 14. Financial Instruments

The following table summarizes the carrying values of the Company's financial instruments. The fair values of financial instruments approximate their carrying values because of their current nature.

	<b>March 31 2015</b>	December 31 2014 (audited)
Fair value through profit or loss (i)	<b>\$ 325,423</b>	\$ 712,729
Loans and receivables (ii)	<b>\$ 1,095,219</b>	\$ 1,058,097
Other financial liabilities (iii)	<b>\$ 776,091</b>	\$ 651,283

- (i) Cash and cash equivalents
- (ii) Accounts receivable excluding HST
- (iii) Trade and other payables, finance lease obligation, debentures and accrued interest

The Company classifies its fair value measurements in accordance with the three levels fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data

## 15. Subsequent Events

On May 12, 2015, 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 2,083,333 and up to 3,125,000 common shares at a price of \$0.24 per share.

The Company has not engaged an agent but may pay agent's compensation to one or more agents representing subscribers to the private placement.

All the securities issuable will be subject to a four-month hold period from the date of issuance. The private placement is subject to the approval of the TSX Venture Exchange.

On May 22, 2015, the Company announced that it had completed its non-brokered private placement financing of common shares sold at a price of \$0.24 per share, as was previously announced in the news release dated May 12, 2015. The Company raised gross proceeds of CAD \$626,200, which the Company will use primarily for working capital purposes. The Company issued 2,609,166 shares pursuant to the private placement and paid finder's fees consisting of \$6,000.

# **YANGAROO Inc.**

Notes to the Unaudited Condensed Interim Financial Statements  
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## **15. Subsequent Events (continued)**

As certain directors of the Company had participated in the private placement, this private placement constitutes a related party transaction under Multilateral Instrument 61-101 ("MI 61-101") and TSX Venture Exchange Policy 5.9. The Company is relying on exemptions from the formal valuation and minority approval requirements of MI 61-101, based on a determination that the securities of the Company are listed on the TSX Venture Exchange only and that the fair market value of the private placement, insofar as it involves interested parties, does not exceed 25% of the market capitalization of the Company at the time the private placement was initially announced. No new insiders have been created, nor has there been any change of control as a result of the private placement. 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.

All securities issued to purchasers under the private placement are subject to a four-month hold period pursuant to securities legislation and the policies of the TSX Venture Exchange, beginning as of May 21, 2015.