YANGAROO Inc.

Management's Discussion and Analysis

For the quarter ended March 31, 2021

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Introduction

Unless the context suggests otherwise, references to “the Company”, “Yangaroo”, or similar terms refer to YANGAROO Inc. This Management’s Discussion and Analysis (“MD&A”) is a discussion and review of operations, current financial position and outlook for Yangaroo and should be read in conjunction with the unaudited condensed interim financial statements for the three months ended March 31, 2021 and 2020 and the audited financial statements and related notes for the years ended December 31, 2020 and 2019 (the “Financial Statements”), which are prepared in accordance with International Financial Reporting Standards (“IFRS”). The information below is prepared in accordance with IFRS and is presented in Canadian dollars, unless otherwise noted.

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 May 31, 2021. 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 is a software company that is the provider of work-flow management solutions for the media industry. The Company's Digital Media Distribution System (DMDS) platform 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 audio and video and advertising to television, radio, media, retailers, award shows and other authorized recipients via the cloud in desktop and mobile platforms, as well as related work flow services such as data analytics and program clearance data management.

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.

Outlook

Consolidated revenue for the first quarter of 2021 was $1,560,547 compared to $2,372,767 and $2,067,026 in the first quarter of 2020 and the fourth quarter of 2020, respectively. The Company generated normalized EBITDA of $453,157, inclusive of government assistance, during the quarter ended March 31, 2021, in comparison to a normalized EBITDA of $560,042 in the prior year quarter ended March 31, 2020 and normalized EBITDA of $817,821 in the fourth quarter of 2020 ended December 31, 2020. The decrease in revenue in Q1'2021 is primarily attributed to the onset of COVID-19, beginning in late Q1'2020, as well as non-recurring revenue from customers advertising during the 2020 US Presidential election race, partially off-set by continued strength in our Music division driven by independent music artists use of our platform. The decrease in normalized EBITDA is primarily attributed to lower advertising sales offset by higher government assistance, increase in technology spend and capitalized product development costs, and lower travel, marketing and general and administrative expenses.

The first quarter of 2021 observed continued weakness in advertising volumes and spend, which we attribute to a delayed economic recovery resulting from residual COVID-19 effects on the advertising industry, and which we forecast to be transitory in nature and forecast to rebound post-pandemic. Conversely, Yangaroo's Music division continued strong subscription and recurring revenue growth in the first quarter of 2021. Music revenues grew 15% year-over-year and is attributed to higher spend on delivery volumes and recurring-subscriptions in our platform by independent music artists as the broader music industry continues to experience record revenues and sales.

Subsequent to quarter-end, on May 21, 2021, the Company announced the closing of the acquisition of the business of Digital Media Services Inc ("DMS"). DMS is a video advertising and content management delivery business based in New York City. Total consideration for the DMS business was USD $5.5 million, inclusive of USD $2.5 million paid on closing, in addition to customary closing adjustments and expenses, and USD $3.0M to be paid over three years contingent on the DMS business hitting certain revenue targets based on its 2019 fiscal year sales. DMS' annual sales for 2018, 2019, and 2020 were approximately USD $6.4 million, USD $6.3 million, and USD $4.0 million, respectively.

"The recently announced acquisition of DMS was a transformative and historic event for Yangaroo. The acquisition brings together a complementary customer base, creates a stronger USA market presence, and provides the ability to drive Yangaroo's revenue growth," stated Grant Schuetrumpf, CEO of Yangaroo. "The structure of this transaction made this acquisition very attractive to us because of its low risk profile resulting from deferred consideration that is only payable dependent on the DMS business hitting pre-pandemic revenue targets. We believe that the current television industry advertising slump, resulting from the COVID-19 pandemic, is transitory in nature and will recover to pre-pandemic levels in due course. The DMS business will provide leverage to the recovery and help accelerate our Advertising division sales."

Mr. Schuetrumpf further stated, "The acquisition complements our vision for Yangaroo's Advertising division to be the modern linear, OTT/CTV video management, delivery, and analytics solution through the use of cutting-edge technology including artificial intelligence and big data."

As at March 31, 2021, the Company has a cash position of $2.3 million and a working capital position of $3.3 million. The Company's share buy-back program continues to be suspended and will continue to be evaluated on an on-going basis.

Results of Operations

Summary of Quarterly Results

The following table sets out selected key financial information as tracked by management.

	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Working capital	$ 3,300,913	$ 3,104,469	$ 3,122,343	$ 2,722,393
Revenue	$ 1,560,547	$ 2,067,026	$ 1,921,312	$ 1,586,695
Operating expenses	$ 1,181,309	$ 1,945,118	$ 1,514,515	$ 1,582,970
Other expenses (income)	$ 41,456	$ 155,315	$ 22,167	$ 70,956
Income (loss) for the period	$ 337,782	$ (33,407)	$ 384,630	$ (69,869)
Reconciling items:				
Interest income	$ (711)	$ (773)	$ (1,166)	$ (1,717)
Interest expense	$ 2,732	$ 3,261	$ 3,749	$ 7,665
Depreciation of property and equipment	$ 65,308	$ 67,389	$ 65,454	$ 68,043
Income tax expense	$ -	$ -	$ -	$ -
EBITDA	$ 405,139	$ 36,470	$ 452,666	$ 4,123
EBITDA Margin %	25.96%	1.76%	23.56%	0.26%
Income (loss) per share - basic	$ 0.01	$ (0.00)	$ 0.01	$ (0.00)
Income (loss) per share - diluted	$ 0.00	$ (0.00)	$ 0.00	$ (0.00)

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Working capital	$ 2,723,000	$ 2,086,700	$ 1,907,840	$ 1,658,660
Revenue	$ 2,372,767	$ 1,851,590	$ 1,959,865	$ 1,987,636
Operating expenses	$ 1,942,381	$ 1,654,175	$ 1,852,482	$ 1,992,067
Other expenses (income)	$ (198,223)	$ 39,931	$ (50,220)	$ 86,440
Income (loss) for the period	$ 628,609	$ 157,485	$ 157,633	$ (90,872)
Reconciling items:				
Interest income	$ (3,695)	$ (4,233)	$ (4,549)	$ (5,552)
Interest expense	$ 8,313	$ 5,422	$ 6,144	$ 30,493
Depreciation of property and equipment	$ 71,311	$ 67,798	$ 66,468	$ 64,888
Income tax expense	$ -	$ (72)	$ 4,069	$ -
EBITDA	$ 704,538	$ 226,401	$ 229,735	$ (1,043)
EBITDA Margin %	29.69%	12.23%	11.72%	-0.05%
Income (loss) per share - basic	$ 0.01	$ 0.00	$ 0.00	$ (0.00)
Income (loss) per share - diluted	$ 0.01	$ 0.00	$ 0.00	$ (0.00)

EBITDA

For the quarter ended March 31, 2021, the Company's EBITDA was $405,139, a decrease of $299,399 or 43% year over year and an increase of $368,669 or 1010% compared to the quarter ended December 31, 2020. The decrease in EBTIDA from the prior-year quarter is primarily attributed to lower Advertising division revenue off-set by lower operating expenses primarily due to government assistance funds and capitalized product development costs. The increase in EBITDA from the prior quarter is primarily attributed to a one-time restructuring expense incurred in Q4'2021.

Normalized EBITDA

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

	Q1 2021	**Q4 2020**	**Q3 2020**	**Q2 2020**
EBITDA (loss)	$ 405,139	$ 36,470	$ 452,666	$ 4,123
Reconciling items:				
Stock option expenses	$ 8,584	$ 16,413	$ 30,049	$ 49,567
Restructuring expenses	$ -	$ 612,112	$ -	$ -
Foreign exchange loss (gain)	$ 39,435	$ 152,827	$ 19,584	$ 65,010
Normalized EBITDA (loss)	$ 453,157	$ 817,821	$ 502,299	$ 118,700
Normalized EBITDA Margin %	29.04%	39.57%	26.14%	7.48%

	Q1 2020	**Q4 2019**	**Q3 2019**	**Q2 2019**
EBITDA (loss)	$ 704,538	$ 226,401	$ 229,735	$ (1,043)
Reconciling items:				
Stock option expenses	$ 58,345	$ 46,404	$ 81,534	$ 86,555
Restructuring expenses	$ -	$ -	$ -	$ -
Foreign exchange loss (gain)	$ (202,842)	$ 38,812	$ (55,834)	$ 61,500
Normalized EBITDA (loss)	$ 560,042	$ 311,617	$ 255,384	$ 147,012
Normalized EBITDA (loss) Margin %	23.60%	16.83%	13.03%	7.40%

For the quarter ended March 31, 2021, the Company's normalized EBITDA was $453,157, a decrease of $106,885 or 19% year over year and a decrease of $364,664 or 44% compared to the quarter ended December 31, 2020. The decrease in normalized EBITDA versus the prior year quarter and prior quarter are primarily attributed to lower Advertising revenue, driven by lower industry spending attributed to economic uncertainties due to the COVID-19 pandemic, partially off-set by higher Music revenue, government assistance funds, and capitalized spending on our technology product.

Revenue

For the quarter ended March 31, 2021 revenue was $1,560,547, a decrease of $812,220 or 34% over the same period in 2020 and a decrease of $506,479 or 24% from the previous quarter (December 31, 2020 - $2,067,026).

	Q1 2021	**Q1 2020**	**$ Change**	**% Change**
Advertising Division	$ 811,552	$ 1,736,978	$ (925,425)	-53%
Entertainment Division	$ 748,995	$ 635,738	$ 113,257	18%
Total Revenue	$ 1,560,547	$ 2,372,716	$ 806,566	-34%

(i) Advertising

The Company earned advertising revenue of $811,552 in the current quarter, a decrease of $925,425 or 53% over the same period in 2020 and a decrease of $314,560 or 28% versus the previous quarter (December 31, 2020 - $1,126,112). The decrease from the previous year is primarily attributed to an industry wide advertising slump attributed to weak economic fundamentals resulting from the COVID-19 pandemic. Additionally, the rebound in the economic sentiment and economic fundamentals, initially witnessed in the second half of 2020, was delayed in the current Q1'2021 quarter. Furthermore, the decrease in year-over-year revenues is attributed to one-time political spend in Q1'2020 attributed to the 2020 Presidential Elections in the United States. The decrease from the previous quarter is attributed to weaker than expected rebound in economic activity resulting from a delayed post-COVID recovery which has delayed Advertising spend and volumes returning to pre-pandemic levels.

(ii) Entertainment

The Company earned entertainment revenue of $748,995 in the current quarter, representing an increase of $113,257 or 18% over the same period in 2020 and a decrease of $188,615 or 20% versus the previous quarter (December 31, 2020 - $937,610). The increase from the prior year is primarily attributed to continued growth in the Company's Music division attributed to a music industry wide growth driven by independent artists. The ability of independent artists to monetize on their music, from streaming and online sales, has resulted in higher recurring usage of our platform. The decrease versus the previous quarter is primarily attributed to seasonality in our Awards division as the first quarter is traditionally a slower period for Award show platform usage.

Operating Expenses

	Q1 2021	Q1 2020	$ Change	% Change
Salaries and consulting	$ 972,926	$ 1,546,292	$ (573,366)	-37%
Marketing and promotion	$ 7,874	$ 92,353	$ (84,878)	-91%
General and administrative	$ 60,696	$ 122,336	$ (61,640)	-50%
Technology development	$ 74,505	$ 110,059	$ (35,555)	-32%
Depreciation of property and equipment	$ 65,308	$ 71,311	$ (6,003)	-8%
Total operating expenses	$ 1,181,309	$ 1,942,381	$ (761,072)	-39%

Total operating expenses for the quarter ended March 31, 2021 were $1,181,309, a decrease of $761,072 or 39% over the prior year period and a decrease of $763,654 or 39% from the previous quarter (December 31, 2020 - $1,944,963).

(i) Salaries and Consulting

Salaries and consulting expense for the quarter ended March 31, 2021 was $927,926 representing a decrease of $573,366 or 37% over the same period in the prior year and a decrease of $44,581 or 4% from the previous quarter (December 31, 2020 - $1,017,507). Salaries and consulting expense were significantly lower compared to the prior year period and previous quarter were primarily attributed to government assistance funds and capitalized technology and product development costs. The Company recognized government assistance in the current period of $310,886 (2020 - $74,500) from the Canadian Federal Government's Canada Emergency Wage Subsidy and the U.S. Small Business Administration's Payment Protection Program.

(ii) Marketing and Promotion

Marketing and promotion expense for the quarter ended March 31, 2021 was $7,874 representing a decrease of $84,878 or 91% versus the prior year period and a decrease of $1,536 or 16% versus the prior quarter (December 31, 2020 - $9,441). The decrease from the prior year and previous quarter were primarily attributed to lower travel and marketing activities as they related to sponsorship and conference fees due to a general economic slow-down and travel restrictions related to the pandemic.

(iii) General and Administrative

General and administrative expense for the quarter ended March 31, 2021 were $60,696 representing a decrease of $61,640 or 50% over the same period in the prior year and a decrease of $50,062 or 45% from the previous quarter (December 31, 2020 - $110,758). The decrease from the previous quarter and previous-year quarter is primarily attributed to higher bad debts credits resulting from improved customer accounts receivable collections, partially offset by slightly higher professional services fees.

(iv) Technology Development

Technology development expense for the quarter ended March 31, 2021, was $74,505 representing a decrease of $35,555 or 32% over the same period in the prior year and a decrease of $2,081 or 3% from the previous quarter (December 31, 2020 - $98,012). The change from the prior-year quarter is primarily attributed to capitalized technology expenses used in the development of our technology solutions and the change from the prior-period is primarily attributed to capitalized development costs off-set by higher software and license purchases.

(v) Restructuring Expense

Restructuring expense for the quarter ended March 31, 2021 was $nil compared to a restructuring expense of $nil in the prior-year quarter and a restructuring expense of $612,112 in the quarter ended December 31, 2020. The Company incurred a one-time restructuring expense in the fourth quarter of 2020 related to statutory severance payments with respect to a former executive of the Company.

Net Income and Comprehensive Income

The Company generated net income and comprehensive income of $337,782 in the current quarter, a decrease of $288,070 or 46% from the same period in the prior year and an increase of $371,219 or 1,102% versus the previous quarter (December 31, 2020 – net loss of $33,437). The reasons for the changes from the prior year and previous quarter are consistent with those of Revenue, Operating Expenses, EBITDA and Normalized EBITDA discussions above.

Corporate Activities

On May 20, 2021, the Company closed the acquisition of the business of Digital Media Solutions Inc. (“DMS”) and its subsidiaries. Total purchase price is USD $5.5 million (“Total Consideration”) in addition to customary closing fees and purchase price adjustments. On closing, the Company paid USD $2.5 million (“Base Consideration”) with an additional USD $3.0 million (“Earn-Out Consideration”) payable in annual installments over three years (“Earn-Out Period”). The Earn-Out Consideration is contingent on the DMS business hitting certain revenue targets over the Earn-Out Period that are linked to the DMS’ fiscal-year 2019 revenue metrics.

In connection with the acquisition, on May 20, 2021, the Company closed a debt financing package with a Tier-1 Canadian financial institution for total commitment of $5.5 million. Included in the debt financing package is a $3.25 million term acquisition facility, a $1.75 million revolving credit facility, and $0.5 million in other credit products including credit card facilities and derivates trading credit.

Subsequent Events

Subsequent to March 31, 2021, the Company closed the acquisition of the business of DMS and its subsidiaries and obtained a debt financing package with a Tier-1 Canadian financial institution. See Corporate Activities, above, for further detail.

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 income (loss) and can be computed as revenues less salaries and consulting expenses and property, technology, marketing and administration expenses.

EBITDA Margin as defined by the Company means EBITDA as a percentage of revenue.

Working capital as defined by the Company means current assets less current liabilities.

The Company believes EBITDA, EBITDA margin, revenue, operating expenses, and working capital, are useful measures because they provide information to both management and investors with respect to the operating and financial performance of the Company.

Share Capital

The following securities were outstanding as at May 31, 2021:

Common Shares	60,499,140
Warrants	-
Stock Options	6,626,500

Liquidity Risk and Capital Resources

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities, and review and approval of planned expenditures.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

As at March 31, 2021, the Company had a cash balance of $2,339,122 and working capital of $3,300,913.

The Company also has a revolving demand loan facility of $1,000,000 with undrawn capacity of $1,000,000 as at March 31, 2021. Borrowings are due on demand and bear interest at prime plus 0.5% per annum and are secured by a general security agreement.

As at March 31, 2021 the Company had no capital commitments other than as disclosed in the financial statements.

Off-Balance Sheet Arrangements

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

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. Details are disclosed in notes to the condensed interim financial statements for the three months ended March 31, 2021 and 2020.

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, functional currency, and collectability of accounts receivable. Please refer to the condensed interim financial statements for the three months ended March 31, 2021 and 2020 for further information.

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 Interim 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
- Customer concentration risk

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

Approval by the Board of Directors

The Board of Directors, on recommendation of the Audit Committee, approved the content of this MD&A on May 28, 2021. Disclosure contained in this document is current to this date, unless otherwise stated.

Other Information

Additional information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com.

CORPORATE INFORMATION

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Board of Directors

Anthony Miller	*Chair of the Board of Directors, Member of Audit Committee & Compensation Committee*
H. Shepard Boone	*Chair of Compensation Committee & Member of Audit Committee*
Roy Graydon	*Chair of Audit Committee & Member of Compensation Committee*
Phil Benson	*Member of Audit Committee & Compensation Committee*
Grant Schuetrumpf	*Chief Executive Officer*

Officers

Grant Schuetrumpf	*Chief Executive Officer, President*
Dom Kizek	*Chief Financial Officer, Corporate Secretary*
Richard Klosa	*Chief Technology Officer*
Adam Hunt	*Senior Vice President, Entertainment*

Stock Exchange Listing

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

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