YANGAROO Inc.

Financial Statements

For the Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of YANGAROO Inc.

Opinion

We have audited the financial statements of YANGAROO Inc., (the "Company"), which comprise the statements of financial position as at December 31, 2019 and December 31, 2018 and the statements of income (loss) and comprehensive income (loss), changes in equity, and cash flows for the years ended December 31, 2019 and December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's discussion and analysis.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management discussion and analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Jakovcic.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 26, 2020
Toronto, Ontario

YANGAROO Inc.

Statements of Financial Position
As at December 31, 2019 and 2018
(Expressed in Canadian dollars, unless otherwise noted)

	As at	
	December 31 2019	December 31 2018
Assets		
Current		
Cash and cash equivalents	**$ 1,570,483**	$ 1,441,716
Accounts receivable (note 5)	**1,549,792**	1,662,181
Prepaid and sundry assets	**379,120**	313,595
Contract assets	**93,801**	124,528
	3,593,196	3,542,020
Non-current		
Property and equipment (note 7)	**534,475**	170,642
	$ 4,127,671	$ 3,712,662
Liabilities		
Current		
Trade and other payables (note 8)	**$ 472,030**	$ 618,820
Contract liabilities	**73,810**	68,488
Current portion of lease obligations (note 9)	**210,655**	50,675
Revolving loan facility (note 10)	**750,000**	-
Contractual severance payable	**-**	79,594
	1,506,495	817,577
Non-current		
Debentures (note 11)	**-**	574,888
Lease obligations (note 9)	**247,670**	37,953
	247,670	612,841
	1,754,165	1,430,418
Equity		
Share capital (note 12)	**32,490,832**	32,558,445
Warrant capital (note 14)	**29,950**	203,824
Contributed surplus	**6,851,029**	6,366,932
Deficit	**(36,998,305)**	(36,846,957)
	2,373,506	2,282,244
	$ 4,127,671	$ 3,712,662

Commitments and contingencies (note 20)
Subsequent events (note 21)

Approved by the Board of Directors

"Anthony Miller"
Director

"Gerry Hurlow"
Director

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

YANGAROO Inc.

Statements of Net Income (Loss) and Comprehensive Income (Loss)
For the years ended December 31, 2019 and 2018
(Expressed in Canadian dollars, unless otherwise noted)

	2019	2018
Revenue (note 18)	**$ 7,432,245**	$ 7,487,784
Commission	**332,929**	332,403
Post-production costs	**43,415**	69,929
	376,344	402,332
Revenue, net of commission and production costs	**7,055,901**	7,085,452
Expenses		
Salaries and consulting (notes 13 & 19)	**5,462,364**	5,060,404
Marketing and promotion	**385,360**	415,156
General and administrative	**811,075**	926,520
Technology development (note 16)	**159,382**	153,891
Depreciation of property and equipment (note 7)	**257,720**	113,410
	7,075,901	6,669,381
Income (loss) from operations	**(20,000)**	416,071
Other income (expenses)		
Interest income	**21,767**	17,800
Interest expense	**(64,747)**	(72,240)
Foreign exchange gain (loss)	**(84,047)**	158,006
	(127,027)	103,566
Net income (loss) before income tax	**(147,027)**	519,637
Corporate income tax (note 17)	**(4,321)**	(6,582)
Net income (loss) and comprehensive income (loss)	**$ (151,348)**	$ 513,055
Basic income (loss) per share (note 15)	**$ (0.00)**	$ 0.01
Diluted income (loss) per share (note 15)	**$ (0.00)**	$ 0.01

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

YANGAROO Inc.

Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Canadian dollars, unless otherwise noted)

	Number of shares	Share capital	Warrant capital	Contributed surplus	Deficit	Total
Balance at January 1, 2018	61,288,140	$32,545,388	$203,824	$6,130,476	$(37,360,012)	$1,519,676
Share-based payments (note 13)	-	-	-	242,013	-	242,013
Exercise of options (note 12)	51,000	13,057	-	(5,557)	-	7,500
Income for the year	-	-	-	-	513,055	513,055
Balance at December 31, 2018	61,339,140	$32,558,445	$203,824	$6,366,932	$(36,846,957)	$2,282,244
Share-based payments (note 13)	-	-	-	311,423	-	311,423
Exercise of options (note 12)	120,000	13,200	-	(1,200)	-	12,000
Shares repurchased and cancelled (note 12)	(625,500)	(80,813)	-	-	-	(80,813)
Expiry of warrants (note 14)	-	-	(173,874)	173,874	-	-
Loss for the year	-	-	-	-	(151,348)	(151,348)
Balance at December 31, 2019	**60,833,640**	**$32,490,832**	**$29,950**	**$6,851,029**	**$(36,998,305)**	**$2,373,506**

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

YANGAROO Inc.

Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(Expressed in Canadian dollars, unless otherwise noted)

	2019	2018
Cash flow from (used in) operating activities		
Net income (loss) for the year	**$ (151,348)**	$ 513,055
Items not affecting cash:		
Depreciation of property and equipment	**257,720**	113,410
Bad debt expense	**23,446**	156,000
Share-based payments (note 13)	**311,423**	242,013
Unrealized foreign exchange gain (loss)	**122,109**	(131,627)
Accrued contractual severance payable	**(79,594)**	(265,188)
Accrued interest on debentures (note 11)	**38,584**	63,010
Changes in non-cash operating working capital:		
Accounts receivable	**42,464**	(83,340)
Prepaid and sundry assets	**(66,607)**	(2,321)
Contract assets	**30,727**	(124,528)
Trade and other payables	**(158,064)**	(270,736)
Contract liabilities	**5,323**	65,184
Net cash from operating activities	**376,183**	274,932
Cash flow used in investing activities		
Acquisition of property and equipment (note 7)	**(55,556)**	(42,578)
Net cash used in investing activities	**(55,556)**	(42,578)
Cash flow from financing activities		
Payment of lease obligation	**(199,374)**	(67,075)
Extinguishment of debentures (note 11)	**(613,472)**	-
Proceeds from revolving loan facility (note 10)	**750,000**	-
Exercise of options (note 12)	**12,000**	7,500
Common shares repurchased and cancelled (note 12)	**(80,813)**	-
Net cash used in financing activities	**(131,659)**	(59,575)
Net increase in cash	**188,968**	172,779
Effect of foreign exchange on cash	**(60,201)**	53,383
Cash and cash equivalents, beginning of year	**1,441,716**	1,215,554
Cash and cash equivalents, end of year	**$ 1,570,483**	$ 1,441,716
Cash interest paid	**$ 152,545**	$ 6,833

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

1. Nature of Operations

YANGAROO Inc. ("Company") 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, music videos, and advertising to television, radio, media, retailers, award shows and other authorized recipients via the cloud.

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 audited financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were authorized for issue by the Board of Directors on March 25, 2020.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except certain financial instruments which are measured at fair value as determined at each reporting period.

(c) Foreign currency translation

The functional and reporting currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign currency translation differences are recognized in profit or loss.

(d) Significant accounting judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period reported.

2. Basis of Preparation (continued)

The most significant judgements and estimates made by management in preparing the Company's consolidated financial statements are described 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 (notes 13 & 14).

(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).

(vi) Leases

The Company uses judgement to determine the incremental borrowing rate used to calculate the initial liability and corresponding asset. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

3. Significant Accounting Policies

The accounting policies set below have been applied consistently to all years presented in these financial statements, except as otherwise noted.

(a) Cash and cash equivalents

Cash in the statements of financial position is comprised of cash held at a major financial institution.

(b) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise of cash and cash equivalents, accounts receivable, trade and other payables, lease obligations, revolving loan facility, debentures and contractual severance payable. Non-derivative financial instruments are recognized initially at the fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, accounts receivable, cash and cash equivalents, trade and other payables, lease obligations, revolving loan facility, debentures and contractual severance payable are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Fair value

The Company's accounting policies and disclosures may require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

In establishing fair value, the Company uses a fair value hierarchy based on the levels as defined below:

- Level 1 fair value measurements are based on unadjusted quoted market prices.
- Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.
- Level 3 fair value measurements are those with inputs for the asset or liability that are not based on observable market data.

(c) Property and equipment

(i) Recognition and measurement

3. Significant Accounting Policies (continued)

Items of property and equipment are measured initially at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within general and administrative expenses in the statement of comprehensive income (loss).

(ii) Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income (loss) as incurred.

(iii) Depreciation

Depreciation is calculated based on the cost of the asset less its estimated residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The estimated useful lives for the current and comparative periods are as follows:

- Office furniture and equipment - 5 years
- Computer equipment - 3 years
- Computer software - 3 years
- Right of use assets - duration of underlying lease agreement (typically 5 years)

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

See note 3 q) IFRS 16 Leases.

3. Significant Accounting Policies (continued)

(d) Impairment

(i) Financial assets

The Company prospectively estimates the ECL associated with the financial assets accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For accounts receivable, the Company measures loss allowances at an amount equal to the lifetime ECL under the simplified method. The Company recognized in income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal thereof) that is required to adjust the loss allowance at the reporting date to the required amount.

(ii) Non-financial assets

Other non-financial assets, comprised of property and equipment, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of its value in use and fair value less costs of disposal, the asset is written down to its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss in respect of other assets is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(e) Research and development

Research costs are charged to the statement of comprehensive income when incurred. Development costs are expensed in the year incurred unless they meet the criteria under IFRS for deferral and amortization. Amortization commences with the successful commercial production or use of the product or process.

Investment tax credits (“ITCs”) arising from research and development are recognized when their realization is reasonably assured and are recorded in prepaid and sundry assets on the statement of financial position. ITCs earned with respect to current expenditures for qualified research and development activities are included in the statement of comprehensive income as a reduction of

3. Significant Accounting Policies (continued)

research and development costs. ITCs associated with capital expenditures are reflected as reductions in the carrying amounts of the assets.

(f) Leases

In the prior year, leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance expenses in the statement of comprehensive income.

Operating lease payments are recognized as an operating expense in net income on a straight-line basis over the lease term.

See note 3(q) IFRS 16 adoption.

(g) Share capital – common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. When the Company issues equity units, the proceeds are allocated among equity components using the residual method in which the proceeds are allocated first, based on the fair value of the warrants and the remainder allocated to the shares.

(h) Warrants

For transactions involving the issuance of warrants, the Company measures these transactions at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. In cases where the fair value cannot be estimated reliably, the Company measures these transactions by reference to the fair value of the equity instruments granted. Upon exercise of the warrant, consideration received, together with the amount previously recognized in warrant capital, is recorded as an increase to share capital. Upon expiry of the warrant, the amount previously recognized in warrant capital is transferred to contributed surplus.

(i) Share-based payments

The grant date fair value of options awarded to employees, directors, and service providers who perform employee-like services is measured using the Black-Scholes option pricing model and recognized in the statement of comprehensive income, with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon exercise of the option, consideration received, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

3. Significant Accounting Policies (continued)

(j) Revenue

Identification of the contract, or contracts, with the customer

The Company considers the terms and conditions of written contracts and its customary business practices in identifying its contracts under IFRS 15. In general, contract terms will be reflected in a written document that is signed by both parties.

Identification of the performance obligations in the contract

Performance obligations are promises in a contract to transfer distinct products or services to a customer and is the unit of account under IFRS 15. A contract's transaction price is allocated to each distinct performance obligation and revenue is recognized when the performance obligation is satisfied. A product or service is a distinct performance obligation if the customer can both benefit from the product or service either on its own or together with other resources that are readily available to the customer, and it is separately identifiable from other items within the context of the contract. Performance obligations are satisfied by transferring control of the product or service to the customer. Control of the product or service is transferred either at a point in time or over time depending on the performance obligation.

The Company generates revenue primarily from pay-per-use and monthly subscription fees for the Company's platform service. These fees are generally recognized as they are billed based on volume and size of distribution services provided in a given month. The Company's other performance obligations include maintenance services, email and phone support, and unspecified software updates released when, and if, available.

Hosting is considered a separate performance obligation which is satisfied over time; however, such activities are immaterial at any given point in time.

Determination of the transaction price

The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for providing services to the customer. Usage fees have fixed pricing. A significant financing component generally does not exist under the Company's standard contracting and billing practices.

Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company recognizes revenue when the services are delivered to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. The Company is principally responsible for the satisfaction of its distinct performance obligations, which are satisfied either at a point in time or over a period of time.

3. Significant Accounting Policies (continued)

Performance obligations satisfied at a point in time

Usage Fees - Advertising and Entertainment (Music)
Distribution of media comprise all of the distinct performance obligations that are satisfied at a point in time, and revenue is recognized at the point in which the distribution service has been delivered to the end user.

Licensing – Entertainment
Revenue from licensing contracts are recognized at the time of usage which is typically on a monthly basis over the term of the contract.

Performance obligations satisfied over a period of time

Awards Management - Entertainment
Customization, support and maintenance, and hosting comprise three performance obligations that are satisfied over a period of time. These performance obligations are not distinct in the context of each contract. Any hosting and support and maintenance activities are provided concurrent with the performance of customization within the billing period and are not considered material. Revenue is recognized over time, based on milestones of the awards management contract.

Contract Costs

Contract costs consists customer acquisition costs to fulfill a contract. Customer acquisition costs are capitalized only if the costs are incrementally incurred to obtain a customer contract and may consist of sales commissions paid to sales personnel or third-party resellers. The Company elected the practical expedient approach and expenses costs of obtaining a contract when incurred.

Contract modifications may create new, or change existing, enforceable rights and obligations of the parties to the contract. The Company generally modifies an existing contract using an addendum or signed change order. A contract modification is accounted for as a new contract if it reflects an increase in scope that is regarded as distinct from the original contract and is priced in-line with the standalone selling price for the related product or services obligated. If a contract modification is not considered a new contract, the modification is combined with the original contract and the impact on the revenue recognition profile depends on whether the remaining products and services are distinct from the original contract. If the remaining goods or services are distinct from those in the original contract, all remaining performance obligations will be accounted for on a prospective basis with unrecognized consideration allocated to the remaining performance obligations. If the remaining goods or services are not distinct, the modification will be treated as if it were a part of the existing contract, and the effect that the contract modification has on the transaction price, and on our measure of progress toward satisfaction of the performance obligations, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification on a cumulative catch-up basis.

3. Significant Accounting Policies (continued)

Remaining performance obligations

The Company's contracts are for delivery of goods within the next following 12 months of a contract's execution; therefore, the Company uses the practical expedient allowed in Paragraph 121(a) of IFRS 15. Following Paragraph 121(a), the Company does not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period.

(k) Other income and expenses

Other expenses comprise of interest expense on borrowings, foreign exchange gains and losses, and accretion on debentures and contractual severance payable.

(l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except for items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in net earnings in the year of change.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(m) Income (loss) per share

Basic income (loss) per share is computed by dividing the net income (loss) applicable to common shares of the Company by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share is computed by dividing the net income (loss) applicable to common shares by the sum of the weighted average number of

3. Significant Accounting Policies (continued)

common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. When there is a loss, no potential shares are included in the computation as they are anti-dilutive.

(n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(o) Statement of cash flows

The Company prepares its statements of cash flows using the indirect method. The Company classifies interest received and paid as part of operating activities in the statement of cash flows.

(p) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in the statement of income.

(q) New standards and interpretations adopted during the year ended December 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.

To determine whether a contract contains a lease, the Company applies the new definition of a lease under IFRS 16 namely if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases and thus applied IFRS 16 only to leases that were previously identified as leases prior to adoption of IFRS 16

The Company typically leases office space for fixed periods of 1-5 years but may have extension

3. Significant Accounting Policies (continued)

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. At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. 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, which resulted in no adjustments to the opening retained earnings. The Company recognizes a right of use asset as a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurement of the lease liability. The Company has elected to use the practical expedient of excluding initial direct costs from the measurement of the right of use asset cost at the date of initial application. 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. 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 be 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.

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

(Expressed in Canadian dollars, unless otherwise noted)

3. Significant Accounting Policies (continued)

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 was a property lease. The associated right-of-use asset for this property lease 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
Non lease components excluded from lease liability	(313,138)
Undiscounted operating finance lease liability subject to IFRS 16	525,889
Adjustment to discount operating leases at incremental borrowing rate	(51,055)
Discounted lease liability on adoption of IFRS 16	$ 474,834
Add: finance lease liabilities recognized at 12/31/2018	88,628
Opening lease liability	$ 563,462

	January 1, 2019
Current lease liabilities	$ 197,671
Non-current lease liabilities	367,791
Total	$ 563,462

IFRIC 23 – Uncertainty over income tax treatments

IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23") was issued in September 2017 and is to be applied to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 – Income Taxes. There was no material impact from adoption of this interpretation in the year ended December 31, 2019.

4. Capital Risk Management

The Company includes equity comprised of share capital, warrant capital, contributed surplus, and deficit, in the definition of capital.

4. Capital Risk Management (continued)

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 platform services, 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 period ended December 31, 2019.

5. Financial Instruments and Risk Management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Market risk:

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk is comprised of two types of risk applicable to the Company:

(i) Currency risk:

The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily the United States dollars. Foreign exchange risk arises from purchase and sales transactions as well as recognized financial assets and liabilities denominated in foreign currencies. A 1% change in foreign exchange would result in a $12,616 impact on net income (loss) and comprehensive income (loss).

Balances in foreign currencies at December 31, 2019 are as follows:

	USD
Cash	$ 110,404
Accounts receivable	$ 1,247,820
Trade and other payables	$ 96,673

(Expressed in Canadian dollars, unless otherwise noted)

5. Financial Instruments and Risk Management (continued)

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions and potential increases on the prime rate applied on the line of credit available to the Company. The Company's revolving demand loan is a floating interest rate facility. A 1% increase in the floating rate would result in a $7,500 impact on net income (loss) and comprehensive income (loss).

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consists primarily of non-payment of accounts receivable.

The Company mitigates this risk by monitoring the credit worthiness of its customers and by offering the platform service to numerous smaller customers. As at and during the year ended December 31, 2019, approximately 54% (2018 - 51%) of accounts receivable and 31% (2018 - 29%) of revenue are from four customers (2018 - four customers), respectively.

The definition of items that are past due is determined by reference to payment terms agreed to with individual customers, which are normally within 30 to 60 days.

Aging of trade receivables that are past due, but not impaired are as follows:

	December 31 2019	December 31 2018
0 to 30 days past due	**$ 410,789**	$ 433,661
31 to 60 days	**193,844**	208,656
Over 60 days[(i)]	**741,839**	839,256
Total past due	**$ 1,346,472**	$ 1,481,573

[(i)] This balance consists mainly of three customers, of which two have payment plans in place (2018 – four customers, of which two have payment plans in place).

(Expressed in Canadian dollars, unless otherwise noted)

5. Financial Instruments and Risk Management (continued)

Continuity of allowance for doubtful accounts:

	December 31 2019	December 31 2018
Balance, beginning of year	**$ 300,000**	$ 144,000
Less: Accounts written off to bad debt expense	**(51,454)**	(2,451)
Charge during the year	**23,446**	158,451
Balance, end of year	**$ 271,992**	$ 300,000

The Company's allowance for doubtful accounts as at December 31, 2019 is $271,992 (December 31, 2018 - $300,000) to address any anticipated collectability issues based on payment history and a simplified approach for the ECL.

(c) Liquidity risk:

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. Senior management is also actively involved in the 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.

The Company manages liquidity risk on the basis of expected maturity dates.

The following tables analyze financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

	Revolving loan facility	**Lease obligation**	**Trade and other payables**	**Total**
Less than 1 year	$ 750,000	$ 210,655	$ 472,030	$ 1,432,685
1- 3 years	$ -	$ 247,670	$ -	$ 247,670
Balance at December 31, 2019	**$ 750,000**	**$ 458,325**	**$ 472,030**	**$ 1,680,355**

(Expressed in Canadian dollars, unless otherwise noted)

5. Financial Instruments and Risk Management (continued)

	Severance payable	Debentures	Lease obligation	Trade and other payables	Total
Less than 1 year	$ 79,824	$ -	$ 53,266	$ 618,820	$ 751,910
1- 3 years	$ -	$ 650,000	$ 38,447	$ -	$ 688,447
Balance at December 31, 2018	**$ 79,824**	**$ 650,000**	**$ 91,713**	**$ 618,820**	**$ 1,440,357**

At present, the Company expects to pay all liabilities at their contractual maturity. In order to meet such cash commitments, the Company expects the operating activity to generate sufficient cash inflows.

6. Comparative Figures

Certain cash balances were reclassified from accounts receivable to cash and cash equivalents in the prior period to conform to the current year's presentation.

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	-	52,617	80,890	486,205	1,841	621,553
Balance, December 31, 2019	**34,367**	**670,055**	**355,642**	**486,205**	**12,116**	**1,558,385**
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	2,682	72,140	45,759	134,652	2,487	257,720
Balance, December 31, 2019	**30,774**	**581,387**	**271,964**	**134,652**	**5,133**	**1,023,910**
Carrying amounts						
December 31, 2018	6,275	108,191	48,547	-	7,629	170,642
December 31, 2019	**3,593**	**88,668**	**83,678**	**351,553**	**6,983**	**534,475**

Included in property and equipment are computer equipment and computer software under leases with a cost of $551,264 (2018 - $463,187). Accumulated depreciation for these assets under leases is $449,479 (2018 - $380,041).

(Expressed in Canadian dollars, unless otherwise noted)

8. Trade and Other Payables

	December 31 2019	December 31 2018
Trade payables	**$ 145,250**	$ 181,715
Non-trade payables	**326,780**	437,105
	$ 472,030	$ 618,820

9. Lease Obligations

The Company has lease obligations until 2022 with purchase options at the end of each lease term. All of these lease agreements had 3-5 year terms at inception and carry a weighted average incremental borrowing rate of 4.21% per annum (2018 – 8.10%).

	Computer Equipment	**Software**	**Property**	**Total lease liability**
Balance at December 31, 2018	$ 88,628	$ -	$ -	$ 88,628
Adoption of IFRS 16 - January 1, 2019	-	-	474,834	474,834
Additions during the year	37,821	58,960	-	96,781
Principal payments	(59,705)	(13,992)	(128,221)	(201,918)
Balance at December 31, 2019	**$ 66,744**	**$ 44,969**	**$346,613**	**$ 458,325**
Current lease obligation	$ 44,482	$ 19,418	$146,755	$ 210,655
Long-term lease obligation	22,262	25,550	199,858	247,670
Total Balance at December 31, 2019	**$ 66,744**	**$ 44,968**	**$346,613**	**$ 458,325**
Effective annual rate of interest	5.20%	4.57%	4.24%	4.97%
Amount of interest recognized in statement of income (loss)	$ 3,457	$ 1,810	$ 18,546	$ 23,814

All of these lease agreements had 3-5 year terms at inception and are ending between April 2020 and July 2022.

(Expressed in Canadian dollars, unless otherwise noted)

10. Revolving Loan Facility

On May 23, 2019, the Company closed a $750,000 revolving loan facility. The revolving loan facility has a maximum draw capacity of $750,000 bearing interest at prime plus 0.5 percent per annum. Borrowings under the revolving loan facility are due on demand and are secured by a general security agreement. The net proceeds of the revolving loan facility were used for general working capital and to repay outstanding Debentures (note 11). As at December 31, 2019 the Company has drawn down $750,000 (December 31, 2018 - $nil) on the revolving loan facility.

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 Company also issued to each debenture holder 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 for a total of 500,000 Bonus Warrants (note 14). The securities issued pursuant to the Offering were subject to a 4-month hold period. The Bonus Warrants are not listed on any stock exchange.

On June 3, 2019, the Company completed the early repayment of Debentures in conjunction with the closing of the revolving loan facility (note 10). Repayment amount of $613,472 included $113,472 in accrued interest including $38,584 for 2019.

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:

	Number of shares	Value
Balance at January 1, 2018	61,288,140	$ 32,545,388
Exercise of options [(a)]	51,000	13,057
Balance at December 31, 2018	**61,339,140**	**$ 32,558,445**
Share buyback [(b)]	(625,500)	(80,813)
Exercise of options [(c)]	120,000	13,200
Balance at December 31, 2019	**60,833,640**	**$ 32,490,832**

(Expressed in Canadian dollars, unless otherwise noted)

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 December 31, 2019, the Company has purchased and cancelled 625,500 shares at a weighted average price of $0.13 / share.

(c) Exercise of 120,000 stock options at a price of $0.10 per share for gross proceeds of $12,000. The initial value of $1,200 related to the options' original issuances was reclassified from contributed surplus to share capital.

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 was 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		0.146	3,030,000		
Forfeited		0.179	(164,500)		
Expired		0.336	(837,000)		
Exercised		0.100	(120,000)		
Balance at December 31, 2019	**$**	**0.167**	**6,915,000**	**5,550,000**	**2.87**

For the year ended December 31, 2019, the fair value of options granted was $341,875 (2018 - $277,282).

(Expressed in Canadian dollars, unless otherwise noted)

13. Share-Based Payments (continued)

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 year ended December 31, 2019 was $311,423 (2018 - $242,013).

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

	December 31 2019	December 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	**11%**	12%
Underlying share price	**$0.14**	$0.280

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

Number of options	**Number of non-vested options**	**Number of vested options**	**Exercise price**	**Expiry date**
912,500	-	912,500	$0.180	January 26, 2020
207,500	-	207,500	$0.150	January 11, 2021
5,000	-	5,000	$0.115	September 6, 2021
957,500	-	957,500	$0.100	January 10, 2022
500,000	-	500,000	$0.140	May 1, 2022
75,000	-	75,000	$0.120	August 25, 2022
1,257,500	-	1,257,500	$0.275	January 8, 2023
2,150,000	637,500	1,487,500	$0.155	January 4, 2024
100,000	30,000	70,000	$0.150	February 20, 2024
775,000	697,500	77,500	$0.120	June 18, 2024
6,915,000	**1,365,000**	**5,550,000**	**$0.167**	

(Expressed in Canadian dollars, unless otherwise noted)

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	-		-		-
Warrants expired	(2,509,845)		(173,874)		(0.20)
Balance at December 31, 2019	**500,000**	**$**	**29,950**	**$**	**0.15**

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

Number of warrants		Exercise price	Expiry date
500,000	(i)	$0.15	February 24, 2020

(i) These Bonus Warrants were issued to lenders in connection with the issuance of debentures (Note 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.

(Expressed in Canadian dollars, unless otherwise noted)

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 years ended December 31, 2019 and 2018 were as follows:

	December 31 2019	December 31 2018
Numerator:		
Net income (loss) and comprehensive income (loss) for the year	$ (151,348)	$ 513,055
Denominator:		
Weighted average number of common shares - basic	61,135,772	61,311,195
Adjustments for calculation of diluted income per share:		
Options and warrants in the money	-	1,180,000
Weighted average number of common shares - diluted	61,135,772	62,491,195
Basic income (loss) per share	$ (0.00)	$ 0.01
Diluted income (loss) per share	$ (0.00)	$ 0.01

16. Technology Development

Investment tax credits (“ITCs”) earned as a result of incurring Scientific Research and Experimental Development ("SRED") expenditures are recorded as a reduction of the related current period expense. Management records ITCs when there is reasonable assurance of collection. In the year ended December 31, 2019, the Company incurred technology development expenses of $311,890 (2018 - $261,451), recognized ITCs of $152,528 (2018 - $107,560) resulting in a net expense of $159,382 (2018 - $153,891).

(Expressed in Canadian dollars, unless otherwise noted)

17. Income Taxes

(a) Income tax expense:

The following table reconciles income taxes calculated at combined Canadian federal/ provincial tax rates with the income tax expense in these financial statements:

	December 31 2019	December 31 2018
Income (loss) before income taxes	**$ (151,348)**	$ 519,637
Statutory rate	**26.5%**	26.5%
Expected income tax expense (recovery)	**$ (40,000)**	$ 138,000
Amounts not deductible for tax and other	**98,000**	73,000
Deferred tax assets not utilized	**(58,000)**	(200,000)
Changes in non-capital losses and credit carry forwards	**-**	(11,000)
Other	**(4,321)**	(6,582)
Income tax expense (current)	**$ (4,321)**	$ (6,582)

(b) Deferred income taxes:

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	December 31 2019	December 31 2018
Amounts related to tax loss and credit carry forwards	**$ 6,474,000**	$ 6,523,000
Share issuance costs	**1,000**	5,000
Capital and intangible assets	**953,000**	916,000
Reserves	**72,000**	114,000
Net deferred tax asset	**$ 7,500,000**	$ 7,558,000
Deferred tax assets not recognized	**(7,500,000)**	(7,558,000)
	$ -	$ -

(Expressed in Canadian dollars, unless otherwise noted)

17. Income Taxes (continued)

The Company has ITCs of approximately $2,171,286 and unused expenditures of approximately $8,193,531 related to scientific research and experimental development costs. The Company also has non-capital losses of approximately $16,276,000 available to apply against future taxable income. If not utilized, the non-capital losses will expire as follows:

2027	$ 601,000
2028	2,907,000
2029	2,450,000
2030	2,998,000
2031	3,470,000
2032	1,369,000
2033	1,011,000
2034	1,025,000
2035	205,000
2036	240,000
	$ 16,276,000

The potential tax benefit relating to these losses has not been reflected in these financial statements.

18. 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.

(Expressed in Canadian dollars, unless otherwise noted)

18. Segmented Information (continued)

Below is the breakdown of revenue and long-term assets by operating segment:

For the year ended December 31, 2019	Canada	US	Other	Total
Advertising	$ 382,453	$ 3,998,905	$ -	$ 4,381,358
Entertainment				
Music	654,695	1,033,137	-	1,687,832
Awards management	152,488	1,210,568	-	1,363,055
Licensing	-	-	-	-
	807,183	2,243,705	-	3,050,887
Total revenue	**$ 1,189,636**	**$ 6,242,610**	**$ -**	**$ 7,432,245**
Property and equipment	**$ 531,858**	**$ 2,617**	**$ -**	**$ 534,475**

For the year ended December 31, 2018	Canada	US	Other	Total
Advertising	$ 635,474	$ 3,841,463	$ -	$ 4,476,937
Entertainment				
Music	664,276	999,339	193	1,663,808
Awards management	247,486	1,053,107	-	1,300,593
Licensing	-	-	46,446	46,446
	911,762	2,052,446	46,639	3,010,847
Total revenue	**$ 1,547,236**	**$ 5,893,909**	**$ 46,639**	**$ 7,487,784**
Property and equipment	**$ 164,529**	**$ 6,113**	**$ -**	**$ 170,642**

(Expressed in Canadian dollars, unless otherwise noted)

19. 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:

	December 31 2019	December 31 2018
Salaries and short-term employee benefits (i)	**$ 1,273,126**	$ 1,453,026
Share-based payments	**277,183**	210,711
	$ 1,550,309	$ 1,663,737

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

20. 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 year ended December 31, 2019.

21. Subsequent Events

On February 7, 2020, the Company announced a grant of stock options in accordance with the terms and conditions of the Company's Stock Option Plan to certain officers, directors, employees and consultants of the Company, to purchase an aggregate of 1,095,000 common shares in the capital stock of the Company, following the expiration of 912,500 stock options in January 2020. The stock options are exercisable for a period of five years from the date of grant at a price of $0.115 per share. Following 10% of the Options vesting on the date of grant, the remaining 90% will vest as to a third on each 6-month anniversary following the date of grant.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a global pandemic. The impact of COVID-19 could negatively impact the Company's operations, suppliers or other vendors, and customer base.

The demand for the Company's services could be negatively impacted by the regional and global outbreak of COVID-19. The extent to which COVID-19 impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others. Any quarantines, labour shortages or other disruptions to the Company and the Company's customers may adversely impact Yangaroo's revenues, ability to provide its services, and operating results.

21. Subsequent Events (continued)

In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which the Company operates, resulting in an economic downturn that could affect demand for the Company's services.