YANGAROO Inc.
March 31, 2012
Management's Discussion and Analysis

Introduction

Unless the context suggests otherwise, references to "YANGAROO", "the Company" 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 condensed unaudited interim financial statements and related notes for the three months ended March 31, 2012 and the audited year ended December 31, 2011.

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 our 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 indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities and accordingly our 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, financing costs and the loss on extinguishment of debt. EBITDA is derived from the statements of earnings (loss), and can be computed as revenues less human resources expenses and property, marketing and administration expenses. The Company believes EBITDA is a useful measure because it provides information to both management and investors with respect to the operating and financial performance of the Company.

Review and Approval by the Board of Directors

The Board of Directors, on recommendation of the Audit Committee, approved the content of this MD&A on May 24, 2012. Disclosure contained in this document is current to this date, unless otherwise stated.

Forward Looking Information

Our reporting structure reflects how we manage our business and how we classify our operations for planning and for measuring our 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 our business, on the markets we operate in, and on various estimates and assumptions.

These forward-looking statements describe our expectations at May 24, 2012. Our actual results could be materially different from our expectations if known or unknown risks affect our business, nor if our estimates or assumptions turn out to be inaccurate. As a result, we 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 our business. We disclaim any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available through future events of for any other reason. Risks that could cause our actual results to differ materially from our current expectations are stated in the Risk Management section.

Description of Business

YANGAROO's patented Digital Media Distribution System (DMDS) is a leading secure B2B digital delivery solution for the music and advertising industries. DMDS is a Web-based delivery system that pioneers secure digital file distribution by incorporating biometrics, high-value encryption and watermarking. DMDS replaces the physical distribution of audio and video content for music, music videos, and advertising to television, radio, media, retailers, award shows and other authorized recipients with more accountable, effective, and far less costly digital delivery of broadcast quality media via the Internet.

Named one of Canada's Top 100 Tech Companies for 2009 by Canadian Business, YANGAROO has offices in Toronto, New York, Dallas, and Los Angeles.

Corporate Activities

In late February 2012, the Company announced the resignation of Scott Wambolt as President, Chief Executive Officer and member of the Board of Directors. Gary Moss, a member of the Board of Directors, assumed the role of Interim President and Chief Executive Officer. Mr. Moss brings significant expertise and experience to the role of CEO. Mr. Moss was previously Chief Operating Officer of IMAX Corporation (IMAX-NYSE) where he was responsible for global operations, strategic planning, corporate development and innovation in a high growth, results driven environment. His specific areas of responsibility were sales, marketing, theatre operations, technology, HR, strategic planning and post production. Implementation of company-wide policies and procedures (including the selection of SAP to replace out-dated systems), coupled with creative deal structures, resulted in record revenues and profit, particularly from emerging markets.

Prior to IMAX, Mr. Moss was Chief Operating Officer and Chief Financial Officer of Live Nation Artists, the successor to Concert Productions International (CPI), a major world-wide concert promoter. He was also Vice President of Finance with EMI Music Canada Inc. for nearly a decade, and Vice

President of Finance with Sega of Canada Inc. Mr. Moss is a Chartered Accountant and received his Bachelors of Commerce from the University of KwaZulu-Natal in South Africa.

On April 16, 2012, the Company announced a private placement of a minimum of $1,250,000 and up to a maximum of $2,000,000 in units. Each unit will consist of one common share in the capital stock of the Company and one warrant, entitling the subscriber to purchase an additional share at $0.10 per share within 36 months of closing. The Company will issue the units at $0.05 per unit, resulting in the issue of a minimum of 25,000,000 shares and up to a maximum of 40,000,000 shares upon closing, non-diluted. This financing is a partially brokered private placement and the Company currently has commitments for the minimum amount of the raise.

The Company received approval from the Debenture holders to amend all of the existing debentures, by extending the timeline for repayment for an additional 36 months, and reducing the interest rate payable on the outstanding indebtedness from 18% to 14%.

The Company will pay an agent's fee to Fraser Mackenzie Limited on their portion of the raised proceeds, and will pay a finder's fee to certain other parties that assisted in the private placement.

The net proceeds from the private placement will be used for general working capital. The proposed financing has been submitted to the TSX Venture Exchange ("TSX-V") for which it has received conditional approval, and is subject to TSX-V final approval.

As of May 24, 2012, the Company collected approximately $193,500 from the above mentioned financing.

Results of Operations

Summary of Quarterly Results

The following table sets out selected financial information, presented in Canadian dollars. The information is prepared in accordance with IFRS:

	Q1 2012	**Q4 2011**	**Q3 2011**	**Q2 2011**
Working capital	$ (4,996,607)	$ (4,369,579)	$ (4,033,380)	$ (3,375,283)
Sales	$ 546,822	$ 455,756	$ 410,360	$ 307,976
Expenses	$ 1,217,431	$ 754,068	$ 1,128,839	$ 2,547,909
Loss for the period	$ 670,609	$ 298,312	$ 718,479	$ 2,239,933
EBITDA	$ (309,547)	$ (455,386)	$ (500,138)	$ (517,608)
Loss per share (basic & diluted)	$ 0.01	$ 0.002	$ 0.01	$ 0.02

	Q1 2011	Q4 2010	Q3 2010	Q2 2010
Working capital	$ (1,238,374)	$ (345,229)	$ 590,111	$ 4,698
Sales	$ 275,799	$ 252,939	$ 171,729	$ 196,534
Expenses	$ 1,632,370	$ 2,879,606	$ 1,162,655	$ 975,486
Loss for the period	$ 1,356,571	$ 2,626,667	$ 990,926	$ 778,952
EBITDA	$ (1,248,038)	$ (2,410,671)	$ (795,501)	$ (560,536)
Loss per share (basic & diluted)	$ 0.01	$ 0.02	$ 0.01	$ 0.01

EBITDA

The Company continues to experience a substantial improvement in its EBITDA. Since the period ended March 31, 2011, the Company has reduced its EBITDA loss by $938,491, representing a 75% decrease. More importantly, this improvement has been consistent quarter over quarter, for four consecutive quarters. This positive result is twofold; first, the Company continues to increase its revenue in both the Entertainment and Advertising Divisions, and second, the Company remains focused on maintaining a diligent adherence to cost cutting measures. Included in EBITDA is the onetime adjustment for financing costs and the loss on extinguishment of debt.

Revenue

The Company saw significant growth in the three month period from all divisions. Total revenue of $546,822 was the result of growth in both the Advertising and Entertainment Divisions resulting in over 98% increase in revenue over the same period in 2011.

(i) Advertising

The Company set new milestones and record growth in the first quarter for its Advertising Division. YANGAROO earned $148,360 (March 31, 2011 - $6,350) in the quarter, which marked a $142,010 increase over the same period in 2011.

DMDS Advertising is now delivering standard definition (“SD”) and high definition (“HD”) advertising spots to over 12,000 broadcast destinations in the US and Canada of which over 3000 are television broadcasters. The company added over 50 new brands in the first quarter of 2012, and DMDS Advertising delivered more than 4,000 ads for Horizon Media and other advertising agencies. Based on the continuous increase in the Division, the Company is poised for a steep growth curve this year due largely to the extensive deployment of its DMDS software into the broadcast marketplace along with endorsement of the new platform by a rapidly growing number of brands and agencies.

HD deliveries have also grown rapidly with over 40% of all ads delivered during the first quarter of 2012 were in HD. DMDS Advertising delivers HD files faster and more efficiently than competitors and the DMDS HD platform is much more cost effective for clients than the traditional satellite based services or proprietary closed networks because it uses cloud-computing and a software only solution.

"Our clients can now distribute HD commercials in a wide variety of markets at significantly less cost," said Steve Faske, SVP Business Affairs Horizon Media Inc., the largest independent media services company in the world. "We've seen our advertisers reduce their digital HD ad distribution and production costs by 40% when using DMDS."

"Advertisers have been quick to adopt our service and there has been a significant shift in the number and percentage of HD commercials being distributed," said Karen Dealy, President Advertising Operations of YANGAROO. "The seamless HD integration coupled with automated production services allow the company to offer the most competitive HD rates in the industry. As each major broadcast and cable network is integrated with DMDS, we are able to pass the cost savings along to our customers."

(ii) Entertainment

Entertainment Division revenues were up sharply, growing over 56% from the same period in 2011. This growth is a result of increased use of DMDS for music video delivery and music audio delivery in North America. Adding to this were music audio delivery revenues from Australia. As well, revenue for this division increased by 11% over the fourth quarter of fiscal 2011. This is significant because the period January 1 to March 31 is traditionally a slower quarter for the release of new music by the major labels.

	2012 Q1	**2011 Q1**	**$ Change**	**% Change**
Advertising Division	148,360	6,350	142,010	2,236%
Music audio	185,284	156,195	29,089	19%
Music video	76,267	19,935	56,332	283%
Awards management	92,277	57,335	34,942	61%
Subscriptions fees	44,634	21,651	22,983	106%
System Development	-	14,333	(14,333)	(100)%
Total Entertainment Division	398,462	269,449	129,013	48%
Total revenue	546,822	275,799	271,023	98%

Operating Expenses

Total operating expenses for the three months ended March 31, 2012 decreased by 44% compared to the same period in fiscal 2011 (March 31, 2011 - $1,549,429). This reduction is due to the elimination of the one-time settlement of a lawsuit, the elimination of severance costs and a substantial cutback in general and administrative expense which reflects the Company's continued adherence to its cost cutting initiative that began in late fiscal 2010.

(i) Salaries and Consulting

Salaries and consulting expense for the three months ended March 31, 2012 was $629,680 which created a 9% decrease over the same period in the prior year (March 31, 2011 - $693,830). This decrease is due to executive personnel changes in the period, as well as the completion of severance payments to the former President and CFO.

(ii) General and Administrative

General and administrative expense for the three months ended March 31, 2012 was $153,950, which is a decrease of 13% over the same period in the prior year (March 31, 2011 - $176,953). The 13% decrease in the current period is a reflection of the significant reduction in legal fees and the cost cutting measures the Company implemented in late fiscal 2010. The increase in ad sales created a partial offset to the decrease of general and administration expense. Production and offline costs for the advertising deliveries jumped due to the increase in ad delivery services.

(iii) Marketing and Promotion

Marketing and promotion expense for the three months ended March 31, 2012 increased by 50% over the same period in the prior year from $29,804 for the quarter ended March 31, 2011 to $44,764 for the period ended March 31, 2012. This increase of $14,960 can be attributed to an increase in ad sales which caused royalty payments to rise. As well, the Company incurred advertising and sponsorship costs to generate further business.

Net Loss

The Company saw a significant dropping off in its net loss for the current period to $670,609, representing a 51% decrease from the same period in the prior year (March 31, 2011 - $1,356,571). This decrease is tied to the increased revenue, the settlement of a long standing lawsuit and the decrease in legal fees and salaries expenses.

Outlook

As the Company previously reported, the outlook for the balance of the fiscal year remains positive. Revenue continues to grow on a quarter to quarter basis. Each line of business: Advertising, Music Audio and Video and Awards Shows, reflected an increase in sales over Q4, 2011.

The current financing, which is expected to close on, or about, May 28, 2012, will provide the working capital necessary to fund Yangaroo's growth initiatives. Costs continue to be monitored closely, with additional expenses allocated primarily to revenue producing areas.

YANGAROO Entertainment Division:

The Entertainment Division which includes DMDS Music and DMDS Awards had a very strong first quarter. The company saw growth in audio deliveries from both major record labels and independents, as well as substantial growth in music video delivery, driven by Viacom's MTV Networks and the addition of new broadcasters such as FUSE, Music Choice, and Great American Country (GAC). DMDS Awards continues to grow with the signing of the highly rated MTV Movie Awards in the first quarter of fiscal 2012 and another very successful year powering the JUNO Awards, GRAMMY Awards, and Academy of Country Music Awards all of which happened in the first quarter of fiscal 2012. Canadian Entertainment Division revenues increased over 13% year on year with US revenues were up over 100% for the same period. Music audio delivery revenues from Australia also increased during the quarter.

YANGAROO Advertising Division:

As a result of the destination footprint reaching critical mass, the Company continues to see increased demand by new advertisers and agencies. Over 40 new brands representing 8 agencies are now regularly distributing video advertising content through DMDS. This new growth is a result of increased marketing efforts as well as referrals from the Company's broadcast network partners. In addition, Horizon Media is continuing the transition of newly acquired clients, resulting in more activity from both the East Coast and West Coast office.

Revenue growth continues to accelerate with the high penetration of HD destinations who have adopted the DMDS technology, and clients who prefer to distribute 100% of their creative in HD. Each month during the quarter showed successive monthly records for daily, weekly and monthly deliveries.

Liquidity, Capital Resources and Financing

At March 31, 2012, the Company has cash and cash equivalents balance of $79,204 and a negative working capital of $5,103,858. During the second quarter of fiscal 2012, the Company secured a private placement of equity units of a minimum of $1,250,000 and up to a maximum of $2,000,000. The Company will issue the units at $0.05 per unit. This is a partially brokered private placement and the Company currently has commitments for the minimum amount of the raise which is expected to close by the summer 2012. The Company also received approval from Debenture holders to amend all of the existing debentures, by extending the timeline for repayment for an additional 36 months, and reducing the interest rate payable on the outstanding indebtedness from 18% to 14%. As of May 24, 2012, the Company has collected $193,783 on the above financing.

The Company will continue to invest funds in building its business to achieve key market and growth targets. Currently, the Company's operations are not yet generating positive cash flow; however, once the current financing is complete, the Company will have sufficient cash flows fulfil its business objectives by carrying out its business plan and pursuing its marketing and business development strategies.

Share Capital

The following securities were outstanding as at May 24, 2012:

Common shares	131,569,119
Warrants	5,471,000
Stock options - Non vested	3,078,488
Stock options - Vested	4,256,238

Off Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Future Accounting Standards

The IFRS Board periodically issues new standards and amendments or interpretations to existing standards. The following accounting standards, amendments and interpretations have been issued but are not yet effective for the Company. Management is currently assessing the impact of the new standards on the Company's accounting policies and financial statement presentation.

(i) IFRS 9 *Financial Instruments* was issued by the IASB in October 2010 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The IASB has proposed to move the effective date of IFRS 9 to January 1, 2015.

(ii) IFRS 10 *Consolidated Financial Statements* was issued by the IASB in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 *Consolidation—Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements* and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iii) IFRS 11 *Joint Arrangements* was issued by the IASB in May 2011. IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iv) IFRS 12 *Disclosure of Interests in Other Entities* was issued by the IASB in May 2011. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(v) IFRS 13 *Fair Value Measurement* was issued by the IASB in May 2011. IFRS 13 establishes new guidance on fair value measurement and disclosure requirements for IFRSs and US generally accepted accounting principles (GAAP). The guidance, set out in IFRS 13 and an update to Topic 820 in the FASB's Accounting Standards Codification (formerly referred to as SFAS 157), completes a major project of the boards' joint work to improve IFRSs and US GAAP and to bring about their convergence. The standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(vi) IAS 1 *Presentation of Financial Statements* was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

Critical Accounting Policies and Estimates

The preparation of the Company's condensed unaudited interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the financial results of the Company. Such estimates and assumptions affect the carrying value of assets and impact decisions as to when and development costs should be capitalized or expensed.

Other significant estimates made by the Company include factors affecting valuations of share-based compensation. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

Going Concern

The Company will have to raise additional capital to fund operations until such point that revenues from their technology are able to fund operations. If the Company is not able to raise sufficient capital then there is the risk that the Company will not be able to realize the value of its assets and discharge its liabilities. At March 31, 2012, the Company had negative working capital of $4,996,607 and deficit of $30,815,791. To date, the Company has been successful raising capital. As mentioned in the *Subsequent Events* section below, during the second quarter of fiscal 2012, the Company secured a private placement of equity units of a minimum of $1,250,000 and up to a maximum of $2,000,000. The Company will issue the units at $0.05 per unit. This is a partially brokered private placement and the Company currently has commitments for the minimum amount of the raise which is expected to close by the end of May 2012. The Company also received approval from Debenture holders to amend all of the existing debentures, by extending the timeline for repayment for an additional 36 months, and reducing the interest rate payable on the outstanding indebtedness from 18% to 14%. All proceeds raised were used to fund operations of the Company. As of May 24, 2012, the Company collected approximately $193,500 of the above mentioned financing.

Subsequent Events

On April 16, 2012, the Company announced a private placement of a minimum of $1,250,000 and up to a maximum of $2,000,000 in units. Each unit will consist of one common share in the capital stock of the Company and one warrant, entitling the subscriber to purchase an additional share at $0.10 per share within 36 months of closing. The Company will issue the units at $0.05 per unit, resulting in the issue of a minimum of 25,000,000 shares and up to a maximum of 40,000,000 shares upon closing, non-diluted. This financing is a partially brokered private placement and the Company currently has commitments for the minimum amount of the raise.

The Company received approval from the Debenture holders to amend all of the existing debentures, by extending the timeline for repayment for an additional 36 months, and reducing the interest rate payable on the outstanding indebtedness from 18% to 14%.

The Company will pay an agent’s fee to Fraser Mackenzie Limited on their portion of the raised proceeds, and will pay a finder’s fee to certain other parties that assisted in the private placement.

The net proceeds from the private placement will be used for general working capital. The proposed financing has been submitted to the TSX Venture Exchange (“TSX-V”) for conditional approval, and is subject to TSX-V final approval.

As of May 24, 2012, the Company collected approximately $193,500 of the above mentioned financing.

Internal Controls

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified to its management, including the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow required disclosures to be made in a timely fashion.

Internal controls over financial reporting have been designed by management, under the supervision of and with the participation of the Company’s CEO and CFO, to provide reasonable assurance regarding the reliability of the Company’s financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In the Company’s yearend filings, the Company’s CEO and CFO certify, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design of the Company’s disclosure controls and procedures, and the design of internal controls over financial reporting.

The CEO and CFO of the Company have also evaluated whether there were changes to the Company’s internal control over financial reporting during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect the Company’s internal control over financial reporting. There were no changes identified during their evaluation.

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

3. Non-Financial Risks

- Heavily relying on upper management
- Management of growth
- Competition risks
- Availability and dependence on management and outside advisors
- Price and public volatility of public stock
- Global financial conditions

CORPORATE INFORMATION

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Board of Directors

Clifford G. Hunt	*Chairman, Chief Operating Officer& Secretary*
Gary Moss	*Interim Chief Executive Officer& President*
Howard Atkinson	*Member of Audit Committee (Chairman) and Compensation Committee*
Justin D. C. LaFayette	*Member of Audit Committee and Compensation Committee*
Anthony Miller	*Member of Audit Committee and Compensation Committee (Chairman)*

Officers

Gary Moss	*Interim Chief Executive Officer& President*
Clifford G. Hunt	*Chairman, Chief Operating Officer& Secretary*
Michael Galloro	*Chief Financial Officer*
Richard Klosa	*Chief Technology Officer*
Karen R. Dealy	*President, Advertising Operations*

Stock Exchange Listing

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

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