



**YANGAROO Inc.**  
**December 31, 2017**  
**Management Discussion and Analysis**

**Introduction**

Unless the context suggests otherwise, references to “the Company” or similar terms refer to YANGAROO Inc.

This Management 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 audited financial statements and related notes for the year ended December 31, 2017.

**Use of Non-IFRS Financial Measures**

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding the Company’s ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings determined in accordance with IFRS or as an indicator of performance, liquidity or cash flows. The Company’s method of calculating these measures may differ from the methods used by other entities and accordingly, these measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, and other nonrecurring items. EBITDA is derived from the statements of comprehensive loss, and can be computed as revenues less salaries and consulting expenses and property, technology, marketing and administration expenses.

Revenue, net of commission and production costs as defined by the Company means total revenues less total variable costs, excluding fixed costs. Revenue, net of commission and production costs is derived from the statements of comprehensive income (loss), and can be computed as total revenues, including advertising, music audio & video, awards management and licensing revenue streams, less total variable costs, including commission costs related to sales personnel, and post-production costs related to its advertising production activities. The Company does not incur fixed costs as it sells technology services, not tangible goods, thus the calculation of revenue, net of commission and production costs excludes fixed costs.

The Company believes EBITDA and revenue, net of commission and production costs are useful measures because they provide 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 April 19, 2018. Disclosure contained in this document is current to this date, unless otherwise stated.

## **Forward Looking Information**

The Company's reporting structure reflects how it manages its business and how it classifies its operations for planning and for measuring its performance. This MD&A contains assertions about the objective, strategies, financial conditions, and results of operations. These statements are considered "forward-looking" because they are based on current expectations of the Company's business, in those markets in which it operates, and on various estimates and assumptions.

These forward-looking statements describe the Company's expectations at April 19, 2018. The Company's actual results could be materially different from its expectations if known or unknown risks affect the business, or if the Company's estimates or assumptions turn out to be inaccurate. As a result, the Company cannot guarantee that any forward-looking statements will materialize. Forward-looking statements do not take into account the effects that transactions or non-recurring items, announced or occurring after the statements are made, may have on the business. The Company disclaims any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available through future events or for any other reason. Risks that could cause the Company's actual results to differ materially from its current expectations are stated in the Risk Management section.

## **Description of Business**

YANGAROO's patented Digital Media Distribution System™ (DMDS) is a leading secure B2B digital media management solution for the entertainment and advertising industries. DMDS is an end to end technology solution that provides a fully integrated work flow based digital distribution and data management solution. DMDS replaces the physical and less effective proprietary hardware/software distribution solutions. DMDS provides audio and video content for music, music videos, and advertising to television, radio, media, retailers, award shows and other authorized recipients with more accountable, effective, and far less costly digital distribution of broadcast quality media via the Internet. YANGAROO also offers comprehensive asset management and post production services to clients in the music and advertising industries.

## **Corporate Activities**

On January 10, 2017, the Company announced the signing of a multi-year extension with the Academy of Country Music (ACM). As part of the extension, Academy members will continue to review as well as vote on nominees through the online YANGAROO Awards solution. YANGAROO Awards, which is powered by the Company's patented DMDS platform, streamlines every aspect of award-show management, from nominations to auditing.

On January 12, 2017, the Company announced a grant of stock options (the "Options") in accordance with the terms and conditions of the Company's stock option plan, to purchase an aggregate of 1,280,000 common shares in the capital stock of the Company. The Options are exercisable for a period of five years from the date of grant at a price of \$0.10 per share. 10% of the Options vest 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, 2017, the Company announced a multi-year agreement with Tony Awards Productions (TAP) to provide the YANGAROO Awards state of the art digital platform to determine nominees and winners for the Tony Awards beginning in 2017. The Tony Awards are presented by The Broadway League and the American Theatre Wing.

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 the loan to Espresso with the balance used for working capital. The Debentures mature three years from the closing (the "Closing Date") of the Offering (the "Maturity Date") but the Company is entitled to repay the Principal Amount and all accrued interest in full, without penalty, at any time following the two year anniversary of the Closing Date ("Early Repayment"), subject to the mutual approval of the Company and the holders of the Debentures. The Debentures bear interest at a rate of 10% per annum, which accrue and become due on the Maturity Date, subject to Early Repayment.

The subscribers to the Offering (the "Lenders") consisted of three corporations, one of which is owned and/or controlled by a director of the Company, being Meteor Capital Inc. As a director of the Company had participated in the Offering, indirectly, this Offering constituted a related party transaction under Multilateral Instrument 61-101 ("MI 61-101") and TSX Venture Exchange Policy 5.9. The Company relied on exemptions from the formal valuation and minority approval requirements of MI 61-101, based on a determination that the securities of the Company were listed on the TSX Venture Exchange only and that the fair market value of the Offering, insofar as it involved interested parties, did not exceed 25% of the market capitalization of the Company at the time the Offering was initially announced. The Company did not file a material change report 21 days prior to the closing of the Offering as the Offering had not yet been offered at such time. No new insiders were created, nor has there been any change of control, as a result of the Offering.

The other two Lenders were Belweather Capital Partners Inc. and STS The Systems Installers, neither of which are insiders of the Company.

The Company also issued to the Lenders one share purchase warrant (each the "Bonus Warrant", collectively the "Bonus Warrants") for each dollar of the Principal Amount to purchase one common share of the Company at an exercise price of \$0.15 per share for a period of three years from the Closing Date. The securities issued pursuant to the Offering are subject to a 4-month hold period. Neither the Debentures nor the Bonus Warrants are listed on any stock exchange. The Debentures are secured against all personal property of the Company.

On May 1, 2017, the Company announced that it has named Grant Schuettrumpf as President of its Advertising Division. In this role, he is responsible for the overall strategy and growth of this Division, including strategic partnerships, increasing market share and product development for YANGAROO Advertising. Schuettrumpf will be based in New York, and reports directly to the CEO.

Pursuant to Mr. Schuettrumpf's employment agreement, YANGAROO has granted 500,000 stock options (the "Options") to him in accordance with the terms of its stock option plan. The Options are exercisable for a period of five years from the date of grant at a price of \$0.14 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 June 7, 2017, the Company announced the signing of a multiyear renewal with the Recording Academy, the organization behind the GRAMMY Awards. YANGAROO will provide its digital awards management platform, which is powered by the Company's patented DMDS, a platform that streamlines every aspect of awards-show management.

On July 5, 2017, the Company announced the voting results from the Company's Annual General and Special Meeting of shareholders held on June 28, 2017. The five nominees as proposed by the Company were re-elected to the board of directors, being Mr. Gary Moss, Mr. Anthony Miller, Mr. Howard Atkinson, Mr. Gerry Hurlow, and Mr. Philip Benson, and the shareholders approved a resolution appointing Collins Barrow Toronto LLP as auditors for the Company for the ensuing year. The shareholders also approved a new 12% fixed stock option plan. As the Company had 61,208,140 common shares issued and outstanding at the date of approval, the Company can grant up to 7,344,976 stock options, and such number of common shares will be reserved for issuance.

On August 25, 2017, the Company announced that Cliff Hunt, Chief Operating Officer and Corporate Secretary has retired from these positions with YANGAROO. Cliff Hunt will continue to work with the Company as a consultant in a business development capacity on an ongoing basis for a period of 2 years, effective as of the date of his departure as an officer.

The Company has also appointed Adam Hunt as Senior Vice President, YANGAROO Entertainment effective immediately, subject to the approval of the TSX Venture Exchange. Adam Hunt was previously with YANGAROO for 10 years in his role as Vice President Sales, Entertainment Division and was responsible for the Entertainment Division's sales and day to day operations. The position of Chief Operating Officer has been eliminated and Gary Moss, President, CEO and a director of the Company, will act as Corporate Secretary.

The Company also announced the grant of options (the "Options") to Adam Hunt to acquire a total of 75,000 common shares of the Company for a period of five years from the date of grant at a price of \$0.12 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 September 5, 2017, the Company announced a multi-year agreement with Hub Artist Services to provide secure delivery of music from record labels and independent music artists to broadcasters, music reviewers and other destinations in Australia and New Zealand with the newly minted brand, "HUB DIGITAL DISTRIBUTION, powered by YANGAROO". The agreement initially is for delivery of audio files only.

On October 23, 2017, the Company announced the signing of a multi-year renewal with The Canadian Academy of Recording Arts and Sciences (CARAS), the organization behind the JUNO Awards. YANGAROO will continue to provide its digital awards management platform, which is powered by the Company's patented DMDS. The JUNO Awards are presented annually to Canadian musical artists and bands to acknowledge their artistic and technical achievements in all aspects of music.

On December 12, 2017, the Company announced that Tony Awards Productions (TAP) has exercised an option to increase and expand their use of the YANGAROO Awards platform for the 2018 Tony Awards balloting procedure. The Tony Awards are presented by The Broadway League and the American Theatre Wing. This expanded partnership will continue to provide TAP with a digital awards system hosted and maintained by YANGAROO, allowing the Tony Awards Nominating Committee to review eligible parties

and relevant information to select the final nominees in each category. In addition, it will also host the online ballot that will decide the ultimate winners of the 2018 Tony Awards, which will broadcast live on Sunday, June 10, 2018 from Radio City Music Hall in New York City.

On January 8, 2018, the Company announced a grant of stock options (the “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 1,392,500 common shares in the capital stock of the Company. The Options are exercisable for a period of five years from the date of grant at a price of \$0.275 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 23, 2018, the Company announced a multi-year, multi-platform renewal to continue providing The National Academy of Television Arts & Sciences (NATAS) with a digital method for determining the winners of their three national programs: the News & Documentary Emmy® Awards, the Daytime Emmy® Awards and the Sports Emmy® Awards.

## 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:

	<b>Q4 2017</b>	<b>Q3 2017</b>	<b>Q2 2017</b>	<b>Q1 2017</b>
Working capital	\$ 1,960,841	\$ 1,889,281	\$ 1,922,361	\$ 1,768,336
Sales	\$ 1,909,974	\$ 1,978,395	\$ 2,026,731	\$ 1,740,066
Expenses	\$ 1,821,481	\$ 2,194,106	\$ 1,855,134	\$ 1,707,217
Income (loss) for the period	\$ 88,493	\$ (215,711)	\$ 171,597	\$ 32,849
Reconciling items:				
Interest income	\$ (386)	\$ (277)	\$ (444)	\$ -
Interest expense	\$ 19,116	\$ 19,205	\$ 18,241	\$ 13,757
Depreciation of property and equipment	\$ 30,285	\$ 29,134	\$ 28,771	\$ 27,247
Income tax expense	\$ -	\$ 3,572	\$ -	\$ 336
<b>EBITDA (loss)</b>	<b>\$ 137,508</b>	<b>\$ (164,077)</b>	<b>\$ 218,165</b>	<b>\$ 74,189</b>
Income (loss) per share - basic	\$ 0.00	\$ (0.00)	\$ 0.00	\$ 0.00
Income (loss) per share - diluted	\$ 0.00	\$ (0.00)	\$ 0.00	\$ 0.00

	<b>Q4 2016</b>	<b>Q3 2016</b>	<b>Q2 2016</b>	<b>Q1 2016</b>
Working capital	\$ 1,207,905	\$ 1,047,966	\$ 610,202	\$ 974,657
Sales	\$ 1,569,355	\$ 1,262,709	\$ 1,157,618	\$ 1,347,149
Expenses	\$ 1,429,368	\$ 1,491,425	\$ 1,555,718	\$ 1,695,253
Income (loss) for the period	\$ 139,987	\$ (228,716)	\$ (398,100)	\$ (348,104)
Reconciling items:				
Interest income	\$ (132)	\$ (359)	\$ -	\$ (39)
Interest expense	\$ 11,606	\$ 11,958	\$ 9,673	\$ 7,117
Depreciation of property and equipment	\$ 28,450	\$ 30,854	\$ 32,488	\$ 33,859
Income tax expense	\$ 1,483	\$ 4,130	\$ 661	\$ -
<b>EBITDA (loss)</b>	<b>\$ 181,394</b>	<b>\$ (182,133)</b>	<b>\$ (355,278)</b>	<b>\$ (307,167)</b>
Income (loss) per share - basic	\$ 0.00	\$ (0.00)	\$ (0.01)	\$ (0.01)
Income (loss) per share - diluted	\$ 0.00	\$ (0.00)	\$ (0.01)	\$ (0.01)

## EBITDA

In the quarter ended December 31, 2017, the Company's EBITDA was \$137,508, which decreased by \$43,886 (24%) year over year and increased by \$301,585 (184%) compared to the quarter ended September 30, 2017. The decrease in EBITDA from prior year was mainly due to increased accruals for bad debts of \$64,121 and incentive bonuses of \$135,762. Bonuses are linked to overall profitability and have not been paid out in prior years. The increase in EBITDA from prior period was due to one-time restructuring costs recognized in the prior period resulting in higher operating expenses.

## Normalized EBITDA

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

	<b>Q4 2017</b>	<b>Q3 2017</b>	<b>Q2 2017</b>	<b>Q1 2017</b>
EBITDA (loss)	\$ 137,508	\$ (164,077)	\$ 218,165	\$ 74,189
Reconciling items:				
Stock option expenses	\$ 17,440	\$ 28,621	\$ 32,156	\$ 26,850
Foreign exchange loss (gain)	\$ (4,069)	\$ 85,877	\$ 51,631	\$ 19,474
Restructuring costs	\$ -	\$ 428,506	\$ -	\$ -
<b>Normalized EBITDA (loss)</b>	<b>\$ 150,879</b>	<b>\$ 378,927</b>	<b>\$ 301,952</b>	<b>\$ 120,513</b>

	<b>Q4 2016</b>	<b>Q3 2016</b>	<b>Q2 2016</b>	<b>Q1 2016</b>
EBITDA (loss)	\$ 181,394	\$ (182,133)	\$ (355,278)	\$ (307,167)
Reconciling items:				
Stock option expenses	\$ 3,623	\$ 18,659	\$ 14,537	\$ 19,955
Foreign exchange loss (gain)	\$ (24,924)	\$ (15,479)	\$ 14,261	\$ 84,840
Restructuring costs	\$ -	\$ -	\$ -	\$ -
<b>Normalized EBITDA (loss)</b>	<b>\$ 160,093</b>	<b>\$ (178,953)</b>	<b>\$ (326,480)</b>	<b>\$ (202,372)</b>

In the quarter ended December 31, 2017, the Company's normalized EBITDA was \$150,879, which decreased by 6% (\$9,214) year over year and decreased by 60% (\$228,048) compared to the quarter ended September 30, 2017. The reasons for the changes from prior year and prior period are consistent with those of the EBITDA discussed above, excluding the impact of the foreign exchange gain or loss, stock option expenses and restructuring costs.

## Revenue

Total revenue was \$1,909,974 which increased by 22% (\$340,619) over the same period in 2016 (December 31, 2016 - \$1,569,355) and decreased by 3% (\$68,421) from the previous quarter (September 30, 2017 - \$1,978,395).

	Q4 2017	Q4 2016	\$ Change	% Change
Advertising Division	\$ 1,179,637	\$ 807,040	\$ 372,597	46%
Entertainment Division	\$ 730,337	\$ 762,315	\$ (31,978)	(4)%
<b>Total Revenue</b>	<b>\$ 1,909,974</b>	<b>\$ 1,569,355</b>	<b>\$ 340,619</b>	<b>22%</b>

### (i) Advertising

YANGAROO earned advertising revenue of \$1,179,637 in the quarter, which marked a 46% (\$372,597) increase over the same period in 2016 (December 31, 2016 - \$807,040) and an 8% (\$103,490) decrease in revenue from the previous quarter (September 30, 2017 - \$1,283,127). The increase from prior year was due to the continuous growth with new customers and increased sales volumes with existing customers. The decrease from prior quarter was due to seasonal fluctuations and the timing of advertising campaigns in the current period.

### (ii) Entertainment

Entertainment Division revenues were \$730,337 for the quarter, which decreased by 4% (\$31,978) over the same period in 2016 (December 31, 2016 - \$762,315) and increased by 5% (\$35,069) over those in the previous quarter (September 30, 2017 - \$695,268). The decrease from prior year was due to a decline in US revenue and further negatively impacted by the foreign exchange. The increase in revenue from prior period was mainly due to seasonal differences in the Awards Management platform. The recognition of revenue from individual award shows within a quarter created quarterly variances.

## Operating Expenses

	<b>Q4 2017</b>	<b>Q4 2016</b>	<b>\$ Change</b>	<b>% Change</b>
Total variable costs	\$ 114,806	\$ 105,461	\$ 9,345	9%
Total fixed costs:				
Salaries and consulting	\$ 1,200,778	\$ 1,063,846	\$ 136,932	13%
Marketing and promotion	\$ 112,434	\$ 59,018	\$ 53,416	91%
General and administrative	\$ 270,645	\$ 182,239	\$ 88,406	49%
Technology development	\$ 77,872	\$ 2,321	\$ 75,551	3,255%
Depreciation of property and equipment	\$ 30,285	\$ 28,450	\$ 1,835	6%
Total fixed costs	\$ 1,692,014	\$ 1,335,874	\$ 356,140	27%
<b>Total operating expenses</b>	<b>\$ 1,806,820</b>	<b>\$ 1,441,335</b>	<b>\$ 365,485</b>	<b>25%</b>

### Variable Costs

Total variable costs for the three months ended December 31, 2017 was \$114,806. This balance marked a 9% (\$9,345) increase over the same period in the prior year (December 31, 2016 - \$105,461) and a 10% (\$10,017) increase from the previous quarter (September 30, 2017 - \$104,789). Total variable costs consist of commission, royalty and post-production costs. The increase from prior year and prior period was mainly a result of certain one-time costs recognized in the current quarter.

### Fixed Costs

Total fixed costs for the three months ended December 31, 2017 was \$1,692,014, which increased by 27% (\$356,140) over the same period in fiscal 2016 (December 31, 2016 - \$1,335,874) and decreased by 15% (\$288,926) from the previous quarter (September 30, 2017 - \$1,980,940).

#### (i) Salaries and Consulting

Salaries and consulting expense for the three months ended December 31, 2017 was \$1,200,778. This balance marked a 13% (\$136,932) increase over the same period in the prior year (December 31, 2016 - \$1,063,846) and a 27% (\$444,278) decrease from the previous quarter (September 30, 2017 - \$1,645,056). The increase from prior year was mainly due to the increase in bonus accruals granted to executives and employees in the current period and the reversal of bonus accruals in the prior year resulting in a lower expense. The decrease from prior period was mainly due to one-time restructuring costs which was accrued for in the prior period.

#### (ii) Marketing and Promotion

Marketing and promotion expense increased by 91% (\$53,416) from \$59,018 for the quarter ended December 31, 2016 to \$112,434 for the quarter ended December 31, 2017. This expense increased by 35% (\$29,171) from the previous quarter (September 30, 2017 - \$83,263). The increase from prior

year and prior period was mainly due to higher conference and travel expenses due to the increase in conferences attended in the current period.

(iii) General and Administrative

General and administrative expense for the three months ended December 31, 2017 was \$270,645, which increased by 49% (\$88,406) over the same period in the prior year (December 31, 2016 - \$182,239) and increased by 38% (\$73,817) from the previous quarter (September 30, 2017 - \$196,828). The increase from prior year was due to an increase in accrual for bad debts and higher monthly rental costs as a result of head office relocation during the year. The increase from prior period was mainly due to an increase in accrual for bad debts and recruitment costs in the current period.

(iv) Technology Development

For the three months ended December 31, 2017, technology development expense was \$77,872. This expense increased by \$75,551 over the same period in the prior year (December 31, 2016 - \$2,321), and increased by 192% (\$51,213) from the previous quarter (September 30, 2017 - \$26,659). The increase from prior year and prior period was mainly due to the reversal of an over accrual on investment tax credits in 2016 and in the first three quarters of 2017 as a result of reductions in tax credit rates effective June 2016. The increase from prior year was also due to a one-time reversal of accrued software licensing fees in Q4 2016.

*Revenue, net of commission and production costs*

Revenue, net of commission and production costs was \$1,795,168 for the three months ended December 31, 2017, which increased by 23% (\$331,274) over the same period in 2016 (December 31, 2016 - \$1,463,894) and decreased by 4% (\$78,438) from the previous quarter (September 30, 2017 - \$1,873,606).

	<b>Q4 2017</b>	<b>Q4 2016</b>	<b>\$ Change</b>	<b>% Change</b>
Total revenues	\$ 1,909,974	\$ 1,569,355	\$ 340,619	22%
Total variable costs	\$ 114,806	\$ 105,461	\$ 9,345	9%
<b>Revenue, net of commission and production costs</b>	<b>\$ 1,795,168</b>	<b>\$ 1,463,894</b>	<b>\$ 331,274</b>	<b>23%</b>

*Net Income (Loss) and Comprehensive Income (Loss)*

The Company incurred net income of \$88,493 in the current period, a decrease of 37% (\$51,494) from the same period in the prior year (December 31, 2016 - \$139,987). The current period net income represents a 141% (\$304,204) increase from the previous quarter (September 30, 2017 - net loss of \$215,711). The reasons for the changes from prior year and prior period are consistent with those of the EBITDA and normalized EBITDA discussed above.

## Outlook

Consolidated sales for the quarter of \$1,909,974, an increase of 22% over the prior year, and annual of sales of \$7,655,166 are 43% higher than fiscal 2016. Normalized EBITDA for the year of \$952,271 is a \$1.5M improvement on 2016. Of note, the Company has accrued (as normal operating expenses), for the first time, \$329,250 for profit based incentive bonuses for the year.

“I am very proud to announce the first full year of profitability for the Company,” said Gary Moss, President and CEO of YANGAROO. “Improving the bottom line performance of the Company by \$1.5M year on year is proof of the scalable business model that we have built. While pleased with the growth to date, we continue to strive towards our goal of 10% advertising market share. We have worked hard to position YANGAROO as a viable player in the advertising space and, as a result, our pipeline of prospects has never been better.”

The Company continues to monitor costs closely, with operating cash costs substantially consistent quarter to quarter.

As at April 18, 2018, the Company had a cash balance of \$1,556,725 and working capital of \$2,248,112.

The Company will continue to invest funds in building its business to achieve key market and growth targets. Currently, the Company’s operations are generating positive cash flow and does not anticipate having to raise additional capital at this time. See Going Concern.

## Share Capital

The following securities were outstanding as at April 19, 2018:

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Common shares	61,288,140
Warrants	3,009,845
Stock options - Non vested	1,887,250
Stock options - Vested	4,882,250

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## Off-Balance Sheet Arrangements

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

## Future Accounting Standards

Certain new standards, interpretations, amendments and improvements to existing standards issued by the IASB or IFRS Interpretations Committee (“IFRIC”) that are applicable for accounting periods beginning after December 31, 2017, are as follows:

- IFRS 9 *Financial Instruments* was issued in final form in July 2014 by the IASB and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the

multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

- In May 2014, IASB issued *IFRS 15 Revenue from Contracts with Customers*. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: *IAS 11 Construction Contracts*, *IAS 18 Revenue*, *IFRIC 13 Customer Loyalty Programmes*, *IFRIC 15 Agreements for the Construction of Real Estate*, *IFRIC 18 Transfers of Assets from Customers*, and *SIC-31 Revenue- Barter Transactions Involving Advertising Services*.
- Effective for annual periods beginning on or after January 1, 2019, *IFRS 16 Leases* was issued by the IASB in January 2016 and will replace *IAS 17 Leases*. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. Earlier application is permitted only if the Company early adopts IFRS 15.

The Company is currently evaluating the impact of the above mentioned standards on its financial statements. IFRS 15 may impact the timing of revenue for the awards management revenue stream.

The Company adopted the following standard during the year ended December 31, 2017:

- On January 7, 2016, the IASB issued Disclosure Initiative (amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. The amendments required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes. The Company adopted the amendments to IAS 7 in its financial statements with no material change.

## **Critical Accounting Policies and Estimates**

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include the following: share-based payments, revenue recognition, investment tax credits, functional currency, and collectability of accounts receivable.

## **Going Concern**

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the year ended December 31, 2017, the Company reported net income of \$77,228 (2016 – net loss of \$834,933) and received net cash in operating activities of \$793,870 (2016 - used net cash of \$752,829). Although the Company has generated net income and positive cash flows from operations during the year ended December 31, 2017, the Company has a deficit of \$37,360,012 (2016 - \$37,437,240). The Company's ability to continue as a going concern is dependent upon its ability to develop and maintain profitable operations or to obtain additional financing. However, there is no assurance that the outcome of these matters will be successful and, as a result, there are material uncertainties that cause significant doubt regarding the going concern assumption. To date, the Company has been successful raising capital and additional financing.

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

## **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.

## **Risk Management**

The Company is exposed to a variety of risks, including, but not limited to the risks set out below. The Company considers these risks the most significant to potential investors, but not all of the risks associated with an investment in securities of YANGAROO Inc.

### **1. Financial Risk Management**

- Market risk
- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Fair value

## 2. Operational Risks

- Seasonality of advertising revenue
- Dependent on the internet as a medium for business and communication
- The lack of a defined market for the Company's product
- Online commerce security
- The ability to generate revenue and control operating costs
- Lack of profitability
- Contingencies
- Impact of human error
- Customer concentration risk (Major customer accounted for 18% of year to date revenue)

## 3. Non-Financial Risks

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

## **Other Information**

Additional information relating to the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

On behalf of the Board of Directors

Gary Moss,

Director, President and Chief Executive Officer

## **CORPORATE INFORMATION**

### **Address**

YANGAROO Inc.  
67 Mowat Avenue, Suite 535  
Toronto, Ontario, Canada, M6K 3E3  
Phone: 416-534-0607  
Website: www.yangaroo.com

### **Board of Directors**

Anthony Miller	<i>Chair, Member of Audit Committee &amp; Compensation Committee (Chairman)</i>
Gary Moss	<i>Chief Executive Officer, President &amp; Secretary</i>
Howard Atkinson	<i>Member of Audit Committee (Chairman) &amp; Compensation Committee</i>
Gerry Hurlow	<i>Member of Audit Committee &amp; Compensation Committee</i>
Phil Benson	<i>Member of Compensation Committee</i>

### **Officers**

Gary Moss	<i>Chief Executive Officer, President &amp; Secretary</i>
Michael Galloro	<i>Chief Financial Officer</i>
Richard Klosa	<i>Chief Technology Officer</i>
Grant Schuettrumpf	<i>President, Advertising</i>
Adam Hunt	<i>Senior Vice President - Entertainment</i>

### **Stock Exchange Listing**

TSX Venture Exchange	<i>Stock Symbol – YOO</i>
OTCBB	<i>Stock Symbol – YOOIF</i>

### **Registrar and Transfer Agent**

Computershare  
100 University Ave., 8<sup>th</sup> Floor  
Toronto, Ontario, Canada M5J 2Y1  
Phone: 1-800-564-6253 Fax: 1-888-453-0330

### **Auditors**

RSM Canada LLP  
11 King Street West, Suite 700  
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Phone: 416-480-0160 Fax: 416-480-2646

### **Legal Counsel**

ECS Law Professional Corporation  
2425 Matheson Boulevard E., 8<sup>th</sup> Floor  
Mississauga, Ontario, Canada L4W 5K4  
Phone: 416-966-2188 Fax: 1-866-295-9834