



YANGAROO Inc.
December 31, 2014
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 audited financial statements and related notes for the year ended December 31, 2014.

Use of Non-IFRS Financial Measure

The following non-IFRS definition is used in this MD&A because management believes that it provides useful information regarding the Company's ongoing operations. Readers are cautioned that the definition is not a recognized measure under IFRS, does not have a standardized meaning 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 this measure may differ from the method used by other entities and accordingly the measure may not be comparable to a similarly titled measure used by other entities or in other jurisdictions.

Adjusted 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. Adjusted 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. The Company believes adjusted 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 April 16, 2015. 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 16, 2015. 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 7, 2014, the Company announced a hire within the Advertising Division with Susan Aitken (Romanowski) joining as a Director of Sales. Aitken is responsible for overseeing the continued growth of business for key Advertising Agencies, Production Houses & Content Producers segments. She is based in YANGAROO's recently established New York City office.

On March 5, 2014, the Company announced that it had granted a total of 852,500 stock options effective March 3, 2014 to certain directors, officers and employees of the Company pursuant to the Company's stock option plan. The options were exercisable at a price of \$0.34 per share. The options expire five years following the date of grant.

On March 6, 2014, the Company announced that it had entered into a multi-year agreement with The Canadian Country Music Association (CCMA) to enable online awards management services for the Canadian Country Music Association Awards and Country Music Week Showcases.

On April 2, 2014, the Company announced that it had partnered with a group headed by Federation X Holdings headquartered in Malmo, Sweden and its affiliate, Music2Be based in London, UK. This group will provide YANGAROO's industry leading digital delivery service to record labels, independent artists and promoters to deliver broadcast quality music audio and music video files to radio and television broadcasters and other destinations throughout the European Union plus Norway and Switzerland.

Two new Advertising Division staffers, both with extensive history and contacts, were announced in separate press releases in April. Francis Pizzani was announced as the Director, Direct Response (DR) Sales, for the Advertising Division on April 23, 2014. He brings more than 15 years of advertising sales into the DR market segment. For the Company's operations team, Michael Liebman joined as the Director, Advertising Technical Operations, to build Yangaroo's broadcast media and software support staff as the Company grows. His appointment was announced on April 29, 2014.

On May 5, 2014, the Company announced, subject to regulatory approvals, a brokered private placement to raise a minimum of \$1,500,000 and up to \$3,000,000 through the issuance of a minimum of 5,000,000 and up to 10,000,000 common shares at a price of \$0.30 per share. The proceeds of the private placement would be used primarily for the retirement of the entire outstanding indebtedness of YANGAROO under previously issued debentures. There was no penalty clause in the debenture agreement for the early retirement of the issued debentures. The balance of the proceeds would be used for working capital and focusing on accelerating growth in the Advertising Division.

YANGAROO engaged Global Maxfin Capital Inc. to act as lead agent in connection with the private placement. YANGAROO paid to the agent, and any and all sub-agents and/or finders, a total of 7% cash compensation and 7% in compensation options based on that portion of the proceeds raised by the agent, sub-agent and/or finders. The compensation options entitle the holder to subscribe for common shares of the Company on the same terms as the private placement, being \$0.30 per share, for a period of 24 months from closing. All the securities issuable are subject to a four-month hold period from the date of issuance.

On May 14, 2014, the Company announced it will provide a cloud-based platform to Cablevision Media Sales (CMS), a division of Cablevision, Inc. that allows advertisers to deliver their television ads to the media company. With more than 240 file formats available, this new portal provides seamless delivery of multiple types of media formats in a fast, secure, and cost-effective way. In addition, the commercial content can be disseminated to all of the properties represented by or affiliated with CMS, including the New York Interconnect, News 12, and regional and local cable systems—making it a powerful and easily accessible method for advertisers to deliver their commercial content.

On May 20, 2014, the Company announced continued growth in the advertising market. Since February 2014, the Company has added 22 new media agency clients with marquee national, regional, and local brands. Revenue from these clients will continue to ramp up in the remainder of the year. YANGAROO's patented platform serves as a commercial content management and distribution tool for agencies to send their content to more than 6500 destinations quickly and securely.

On May 30, 2014, the Company announced that it had completed the brokered private placement financing of common shares sold at a price of \$0.30 per share, as was previously announced in a news release dated May 5, 2014. The Company announced that it had surpassed the minimum amount of the private placement, raising gross proceeds of \$2,471,000, which the Company used primarily to repay existing indebtedness in the form of debentures. The Company issued 8,236,669 shares pursuant to the

private placement.

The Company also announced, subject to regulatory approvals, a second and immediate brokered private placement to raise a minimum of \$750,000 and up to \$2,000,000 through the issuance of a minimum of 2,500,000 and up to 6,666,667 common shares at a price of \$0.30 per new share.

On June 6, 2014, the Company announced that it will be joining forces with European based monitoring company Kollektor and partner Federation X at The New Music Seminar in New York during June 8-10, 2014. This collaboration provides the European independent music industry with a world-class solution for delivering music and music videos to radio and television broadcasters via YANGAROO's Digital Media Distribution System and also offers the opportunity to monitor airplay in real-time via Kollektor's monitoring service.

On June 11, 2014, the Company announced that it had redeemed all of its outstanding debentures early, without penalty and in full for the aggregate amount of \$2,327,876 in principal and interest, and entered into debenture redemption agreements with the debenture holders.

The Company also announced the appointment of Sara Hill to its Advisory Board. Ms. Hill will contribute to strategic business development efforts, for the Advertising Division, in Canada. Over her 25+ year media agency career, Ms. Hill has delivered innovative and award winning media planning and buying expertise to many of Canada's leading advertisers.

In conjunction with her appointment to the Advisory Board, the Company granted Ms. Hill 25,000 incentive stock options exercisable for a period of five years from the date of grant at a price of \$0.30 per share.

On June 12, 2014, the Company announced that it had completed the first tranche of its brokered private placement financing of common shares sold at a price of \$0.30 per share, as was previously announced in the news release dated May 30, 2014. Under the first tranche, the Company raised gross proceeds of \$1,216,000, which the Company used primarily for working capital and accelerating growth in the Advertising Division. The Company issued 4,053,334 shares pursuant to the first tranche of the private placement.

While the Company was entitled to raise up to \$2,000,000 through the issuance of up to 6,666,667 shares under this private placement, the Company decided that it was in the best interest of the Company and its shareholders to limit the maximum gross aggregate proceeds to \$1,600,000.

In respect of the first tranche, the Company paid agent's commissions/finder's fees consisting of an aggregate of \$258,090 plus expenses and issued 818,301 broker's warrants, which were exercisable for a period of 24 months at an exercise price of \$0.30. All securities issued to purchasers and agents/finders under the first tranche were subject to a four-month hold period pursuant to securities legislation and the policies of the TSXV, beginning as of June 11, 2014.

The Company closed this private placement and announced the opening of a new brokered private placement to offer shares to a single investor, namely Killbear Acquisition Corp ("Killbear"), a "capital pool company" in accordance with the policies of the TSXV. Killbear proposed to subscribe for the shares under the private placement, which would constitute its qualifying transaction to the policies of the TSXV.

On July 9, 2014, the Company announced that Emilienne Gray, former Sr. Vice President Music and Talent Programming & Strategy, MTV + VH1 will be joining the YANGAROO team as special consultant and broadcast advisor. Emilienne will be responsible for establishing relationships with new music video broadcasters in North America and Europe, and expanding YANGAROO's relationships with current broadcasters, record labels, and artists.

On August 18, 2014, the Company announced the voting results from the Company's Annual General and Special meeting of shareholders held on August 14, 2014. The six nominees as proposed by the Company were elected to the board, being Mr. Gary Moss, Mr. Clifford Hunt, Mr. Anthony Miller, Mr. Howard Atkinson, Mr. Gerald Quinn, and Mr. Sander Shalinsky. The shareholders approved a resolution appointing Collins Barrow Toronto LLP as auditors for the Company for the ensuing year, and re-approved the 10% rolling stock option plan of the Company in accordance with the policies of the TSXV.

On August 26, 2014, the Company announced that it had completed its brokered private placement financing of 1,000,000 common shares sold at a price of \$0.30 per share, as was previously announced in the news release dated June 12, 2014. The Company raised gross proceeds of \$300,000, which the Company used primarily for working capital and accelerating growth in the Advertising Division.

In respect of the private placement, the Company paid agent's commissions equal to \$21,000 plus expenses and issued 70,000 broker's warrants, which were exercisable for a period of 24 months at an exercise price of \$0.30.

On September 9, 2014, the Company announced that Sarah Foss was leaving her position as President, Advertising Division effective October 2, 2014, to pursue other opportunities. Sarah Foss' responsibilities will be shared by current Advertising Division executives Todd Barkes, Biren Bharucha, and Joanne Eckert, who will report directly to President and CEO, Gary Moss.

On September 25, 2014, the Company announced a grant of stock options to acquire shares of the Company in accordance with the terms and conditions of the Company's stock option plan. Independent Directors of the Company were granted a total of 105,000 options as compensation for their services. Employees were granted a total of 10,000 options as incentive compensation. The options are exercisable for a period of five years from the date of grant at a price of \$0.28 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 October 15, 2014, the Company announced Life Alert as the newest customer to utilize the Company's expanded direct response advertising distribution and production services. Life Alert is a leading Personal Emergency Response and Home Medical Alert System company that saves lives from catastrophic outcomes, using a unique technology to provide superior home audio monitoring protection.

On October 27, 2014, the Company announced a strategic relationship with Media 360 Partners to expand YANGAROO services and visibility in Los Angeles and other key West Coast Markets. Media 360 Partners is a full service ad management and business development company in the media and advertising space, which functions as a completely integrated part of the internal sales and business development teams at partner companies, while also providing executive level advisory services; specifically working with ad clients, media agencies and related services to optimize advertising platform solutions.

On November 10, 2014, the Company announced a multi-year agreement with SpeedMedia to distribute movie trailers for a major Hollywood studio. The initial film under this agreement was slated for release in late November 2014, with close to two dozen additional films scheduled to be released throughout the term of this agreement.

On November 25, 2014, the Company announced an arrangement with the global advertising distribution company Adstream to provide distribution of television commercials, for selected clients, to Canadian broadcast destinations. UK based Adstream is a leading global advertising technology solution provider, and represents over 75% of the top 100 brands worldwide, with offices in 29 countries.

On December 18, 2014, the Company announced a partnership with London based Group IMD that will allow North American based record labels and recording artists to deliver music videos to all major and secondary broadcasters in the UK & Ireland using Group IMD's Fastrax service, and will provide the opportunity for UK based record labels and artists to deliver music videos and audio tracks to all major and secondary North American broadcasters.

On January 29, 2015, the Company announced the granting of stock options in accordance with the terms and conditions of the Company's stock option plan to directors, officers, insiders, employees and consultants of the Company to purchase an aggregate of 1,092,500 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 \$0.18 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 February 11, 2015, the Company announced that it had entered into a two year extension to provide its industry leading digital awards show platform for the 2015 and 2016 "MTV Movie Awards" and "MTV Video Music Awards" (VMAs). MTV will utilize YANGAROO's patented Digital Media Distribution System (DMDS) to distribute nominated movie and music video clips submitted for consideration to its voting members throughout the U.S., allowing them to stream the content online for review and to vote electronically.

On February 25, 2015, the Company announced it had entered into a partnership with Mediaocean, the leading software platform for the advertising world, to bring Mediaocean users a cost-effective solution to streamline their ad delivery and traffic management. Mediaocean users have the option to select YANGAROO on an advertiser-by-advertiser basis to deliver the media content in a fast and secure manner in Mediaocean's Optica platform. Optica connects media buys to traffic instructions, talent usage, ad distribution, and broadcasters so that everything is in one place to help make the right decision at the right time.

On April 14, 2015, the Company announced that it will be co-sponsoring, along with RDR Music, "Street Idol 2015" at Canadian Music Week (CMW), which takes place in Toronto from May 1st through May 9th, 2015. Street Idol 2015 is a search for the most 'radio friendly' Canadian recording. This search is open to all Canadian Independent/Emerging Artists and record labels in every genre including, Rock, Country, Pop, Adult Contemporary, Top 40, R n'B, Hip Hop and Hot A/C.

On April 16, 2015, the Company announced that its research shows that over 50% of independently produced music videos have been accepted for airing by major national music video networks in the U.S. Based on data gathered in the first three months of 2015, 660 independent music videos have been delivered electronically to two major national broadcasters in the U.S., that provide the Company this information, and 363 have been accepted for airing, a remarkable success rate of 55%.

YANGAROO's DMDS is the industry standard for music video deliveries to all other major and regional broadcasters as well but they do not provide the same detailed information, but it would be fair to assume that there is a similar rate of acceptance by these other broadcasters, based on anecdotal evidence and anecdotal reports.

This information relates specifically to independent releases not owned or distributed by the three major record labels. YANGAROO is the industry standard for delivery music videos for all three major record labels and currently delivering over 90% of all music videos received by MTV/VH1.

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:

| | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 |
|---|--------------------|--------------------|--------------------|-----------------------------|
| Working capital | \$ 1,314,585 | \$ 1,296,370 | \$ 1,425,011 | \$ (1,213,430) ¹ |
| Sales | \$ 1,508,617 | \$ 1,005,326 | \$ 852,695 | \$ 899,612 |
| Expenses (income) | \$ 1,506,957 | \$ 1,503,211 | \$ 1,656,014 | \$ 1,394,493 |
| Loss (income) for the period | \$ (1,660) | \$ 497,885 | \$ 803,319 | \$ 494,881 |
| Reconciling items: | | | | |
| Interest income | \$ 1,972 | \$ 1,978 | \$ 487 | \$ 1,527 |
| Interest expense | \$ (1,762) | \$ (1,865) | \$ (57,859) | \$ (76,852) |
| Depreciation of property and equipment | \$ (26,849) | \$ (25,994) | \$ (23,649) | \$ (17,322) |
| Gain (loss) on extinguishment of debt | \$ - | \$ - | \$ (99,436) | \$ - |
| Adjusted EBITDA loss (income) | \$ (28,299) | \$ 472,004 | \$ 622,862 | \$ 402,234 |
| Loss (income) per share (basic & diluted) | \$ (0.00) | \$ 0.01 | \$ 0.02 | \$ 0.01 |

¹ Debentures were reclassified from long term liabilities to current liabilities resulting in a working capital deficiency in Q1 2014. See Corporate Activities.

| | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 |
|---|--------------------|--------------------|--------------------|--------------------|
| Working capital | \$ 1,244,070 | \$ 1,234,958 | \$ 304,656 | \$ 385,759 |
| Sales | \$ 1,059,481 | \$ 836,155 | \$ 835,751 | \$ 763,103 |
| Expenses (income) | \$ 3,141,124 | \$ (458,126) | \$ 1,134,051 | \$ 1,307,875 |
| Loss (income) for the period | \$ 2,081,643 | \$ (1,294,281) | \$ 298,300 | \$ 544,772 |
| Reconciling items: | | | | |
| Interest income | \$ 2,267 | \$ 11 | \$ 32 | \$ 286 |
| Interest expense | \$ (77,138) | \$ (205,163) | \$ (219,245) | \$ (204,127) |
| Depreciation of property and equipment | \$ (14,635) | \$ (21,549) | \$ (20,015) | \$ (19,703) |
| Gain (loss) on extinguishment of debt | \$ (1,872,251) | \$ 1,669,880 | \$ - | \$ - |
| Adjusted EBITDA loss (income) | \$ 119,886 | \$ 148,898 | \$ 59,072 | \$ 321,228 |
| Loss (income) per share (basic & diluted) | \$ 0.05 | \$ (0.08) | \$ 0.02 | \$ 0.03 |

Adjusted EBITDA

In the quarter ended December 31, 2014, the Company's adjusted EBITDA income was \$28,299, reducing the loss by \$148,185 (124%) year over year and by \$500,303 (106%) compared to the quarter ended September 30, 2014. The Company has been continuously investing in personnel and technology during the year to accommodate the expansion of the Advertising Division. The Company began to see the revenue increase due to the investment in the infrastructure during the latter part of the year, resulting in the first positive adjusted EBITDA reported by the Company.

Adjusted Normalized EBITDA

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

| | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 |
|--|--------------------|--------------------|--------------------|--------------------|
| Adjusted EBITDA loss (income) | \$ (28,299) | \$ 472,004 | \$ 622,862 | \$ 402,234 |
| Reconciling items: | | | | |
| Stock option expenses | \$ 22,224 | \$ 102,768 | \$ 120,586 | \$ 149,780 |
| One-time bonus payment | \$ - | \$ - | \$ - | \$ - |
| Financing related expenses | \$ - | \$ - | \$ - | \$ - |
| Foreign exchange loss (gain) | \$ (29,122) | \$ (37,536) | \$ 29,681 | \$ (29,912) |
| Adjusted normalized EBITDA loss (income) | \$ (21,401) | \$ 406,772 | \$ 472,595 | \$ 282,366 |

| | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 |
|--|--------------------|--------------------|--------------------|--------------------|
| Adjusted EBITDA loss (income) | \$ 119,886 | \$ 148,898 | \$ 59,072 | \$ 321,228 |
| Reconciling items: | | | | |
| Stock option expenses | \$ 150,236 | \$ 3,582 | \$ (8,357) | \$ 132,482 |
| One-time bonus payment | \$ - | \$ 30,000 | \$ - | \$ - |
| Financing related expenses | \$ 15,000 | \$ 39,726 | \$ - | \$ - |
| Foreign exchange loss (gain) | \$ (16,129) | \$ 13,340 | \$ (10,946) | \$ (9,430) |
| Adjusted normalized EBITDA loss (income) | \$ (29,221) | \$ 62,250 | \$ 78,375 | \$ 198,176 |

In the quarter ended December 31, 2014, the Company's adjusted normalized EBITDA income decreased by 27% (\$7,820) year over year and increased by 105% (\$428,173) compared to the quarter ended September 30, 2014. The reasons for the changes from prior year and prior period are consistent with those of the adjusted EBITDA discussed above.

Revenue

Total revenue of \$1,508,617 was the result of growth in both the Entertainment and Advertising Divisions resulting in a 42% (\$449,136) increase in revenue over the same period in 2013 (December 31, 2013 - \$1,059,481) and an increase of 50% (\$503,291) from the previous quarter (September 30, 2014 - \$1,005,326).

| | Q4 2014 | Q4 2013 | \$ Change | % Change |
|------------------------|--------------|--------------|------------|----------|
| Advertising Division | \$ 656,948 | \$ 318,960 | \$ 337,988 | 106% |
| Entertainment Division | \$ 851,669 | \$ 740,521 | \$ 111,148 | 15% |
| Total Revenue | \$ 1,508,617 | \$ 1,059,481 | \$ 449,136 | 42% |

(i) Advertising

YANGAROO earned revenue of \$656,948 in the quarter, which marked a 106% (\$337,988) increase over the same period in 2013 (December 31, 2013 - \$318,960) and an 89% (\$310,135) increase in revenue from the previous quarter (September 30, 2014 - \$346,813). The increase from prior year and prior period was due to the continuous sign on of new customers in the current period, as well as the continuous growth of existing customers.

(ii) Entertainment

Entertainment Division revenues of \$851,669 continued to grow with a 15% (\$111,148) increase in the quarter over the same period in 2013 (December 31, 2013 - \$740,521) and a 29% (\$193,156) increase over those in the previous quarter (September 30, 2014 - \$658,513). The increase in revenues from the prior year was mainly due to new revenue streams from a European partnership. The increase in revenues from prior quarter was primarily 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

Total operating expenses for the three months ended December 31, 2014 was \$1,536,289 which increased by 27% (\$326,158) over the same period in fiscal 2013 (December 31, 2013 - \$1,210,131) and decreased by 0.30% (\$4,571) from the previous quarter (September 30, 2014 - \$1,540,860).

| | Q4 2014 | Q4 2013 | \$ Change | % Change |
|--|---------------------|---------------------|-------------------|------------|
| Salaries and Consulting | \$ 1,097,733 | \$ 906,942 | \$ 190,791 | 21% |
| General and Administrative | \$ 297,174 | \$ 187,040 | \$ 110,134 | 59% |
| Marketing and Promotion | \$ 100,505 | \$ 92,433 | \$ 8,072 | 9% |
| Technology Development | \$ 14,028 | \$ 9,081 | \$ 4,947 | 54% |
| Depreciation of Property and Equipment | \$ 26,849 | \$ 14,635 | \$ 12,214 | 83% |
| Total Operating Expenses | \$ 1,536,289 | \$ 1,210,131 | \$ 326,158 | 27% |

(i) Salaries and Consulting

Salaries and consulting expense for the three months ended December 31, 2014 was \$1,097,733. This balance marked a 21% (\$190,791) increase over the same period in the prior year (December 31, 2013 - \$906,942) and a 1% (\$7,059) increase from the previous quarter (September 30, 2014 - \$1,090,674). The increase from the prior year and prior period was due to an increase in sales, customer support and development personnel required to accommodate the ongoing expansion of the Company.

(ii) General and Administrative

General and administrative expense for the three months ended December 31, 2014 was \$297,174 which increased by 59% (\$110,134) over the same period in the prior year (December 31, 2013 - \$187,040) and increased by 15% (\$38,753) from the previous quarter (September 30, 2014 - \$258,421). The increase from prior year and prior period were mainly due to the increase in advertising production costs in the current period, driven by the increase in sales.

(iii) Marketing and Promotion

Marketing and promotion expense for the three months ended December 31, 2014 increased by 9% (\$8,072) from \$92,433 for the quarter ended December 31, 2013 to \$100,505 for the quarter ended December 31, 2014. This expense decreased by 35% (\$53,161) from the previous quarter (September 30, 2014 - \$153,666). The increase from prior year was mainly due to the termination of a public relations firm during the last quarter of the prior year, which resulted in less costs in that quarter. The decrease from prior period was the result of lower advertising and sponsorship costs in the current period.

(iv) Technology Development

The technology development expense for the three months ended December 31, 2014 was \$14,028, which increased by 54% (\$4,947) over the same period in the prior year (December 31, 2013 – \$9,081), and increased by 16% (\$1,923) from the previous quarter (September 30, 2014 - \$12,105). The increase from prior year and prior period are due to the increase in software licensing costs.

Net Income (Loss) and Comprehensive Income (Loss)

The Company saw net income of \$1,660 in the current period, representing a 100% (\$2,083,303) decrease in net loss from the same period in the prior year (December 31, 2013 – net loss of \$2,081,643). The current period net income represents a 100% (\$499,545) decrease in net loss from the previous quarter (September 30, 2014 – net loss of \$497,885). The decrease from prior year was due to a one-time loss related to the extinguishment of debt that was recorded in the prior year. The decrease from prior period was due to a significant increase in revenues and a slight decrease in operating expenses in the current period.

Outlook

Yangaroo continued to produce record results in the quarter, breaking \$1.5m in quarterly sales, as well as achieving positive net income, for the first time. All divisions recorded growth, with Advertising leading the way with 106% quarterly growth, year on year. Although there is an element of seasonality in the fourth quarter, the majority of the incremental sales came from clients signed during 2014.

The client signings momentum has continued in 2015, with 14 new customers signed in January and February. While January was quieter, as expected, for Advertising, the Company benefitted from the awards show season, demonstrating the benefits of having counter cyclical lines of business.

“There are discussions underway in each of the areas of our business, but the most exciting near term achievement is the rounding out of the Canadian broadcast footprint” said Gary Moss, President and CEO of Yangaroo. “We will shortly be able to offer full coverage to both our US and Canadian customers, with 95% of the market on-line now. This is something that our customers have been eagerly anticipating and will have an immediate revenue impact.”

As at April 12, 2015, the Company had cash and cash equivalents balance of \$447,980 and a working capital of \$955,619. During fiscal 2013, the Company underwent a comprehensive restructuring exercise. This included raising growth capital, reducing debt levels, amending the terms of a portion of the residual debt and consolidating the common shares on a 10 for 1 basis. YANGAROO believes the end result of the debt restructuring will position the Company structurally for the future and will ultimately create a balance sheet that enables value creation for its shareholders.

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. The Company may have to raise additional capital to fund operations until such point that revenues from its technology platform are able to fund operations. See Going Concern.

Share Capital

The following securities were outstanding as at April 16, 2015:

| | |
|----------------------------|------------|
| Common shares | 53,579,282 |
| Warrants | 13,418,156 |
| Stock options - Non vested | 1,911,250 |
| Stock options – Vested | 2,917,548 |

Off Balance Sheet Arrangements

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

Future Accounting Standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee (“IFRIC”) that are applicable for accounting periods beginning after December 31, 2014, as follows:

- IFRS 9 *Financial Instruments* was issued in final form in July 2014 by the IASB and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.
- In May 2014, IASB issued IFRS 15 *Revenue from Contracts with Customers*. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. IFRS 15 supersedes the following 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*.

The Company is currently evaluating the impact of the above mentioned standards on financial statements.

Critical Accounting Policies and Estimates

The preparation of the Company's 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 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 financial statements have been prepared using IFRS applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the year ended December 31, 2014, the Company reported a net loss of \$1,794,425 and used net cash in operating activities of \$1,220,577. 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.

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

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.

On behalf of the Board of Directors

Gary Moss
Director, President and Chief Executive Officer

CORPORATE INFORMATION

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Website: www.yangaroo.com

Board of Directors

| | |
|------------------|---|
| Anthony Miller | <i>Chair, Member of Audit Committee & Compensation Committee (Chairman)</i> |
| Clifford G. Hunt | <i>Vice-Chairman, Chief Operating Officer & Secretary</i> |
| Gary Moss | <i>Chief Executive Officer & President</i> |
| Howard Atkinson | <i>Member of Audit Committee (Chairman) and Compensation Committee</i> |
| Gerald C. Quinn | <i>Member of Audit Committee and Compensation Committee</i> |
| Sander Shalinsky | <i>Member of Compensation Committee</i> |

Officers

| | |
|------------------|---|
| Gary Moss | <i>Chief Executive Officer & President</i> |
| Clifford G. Hunt | <i>Vice-Chairman, Chief Operating Officer & Secretary</i> |
| Michael Galloro | <i>Chief Financial Officer</i> |
| Richard Klosa | <i>Chief Technology Officer</i> |

Stock Exchange Listing

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

Registrar and Transfer Agent

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