



YANGAROO Inc.
For the nine months ended September 30, 2018
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 unaudited condensed interim financial statements for the three and nine months ended September 30, 2018 and 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 income (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 commission and production 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 commission and production 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 November 22, 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 November 22, 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 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.

On April 26, 2018, the Company announced the resignation of Howard Atkinson from the Company's Board of Directors, effective April 25, 2018 in order to focus his efforts on other business and board commitments. The Board has not filled this vacancy. The Company would also like to announce the appointment of Gerry Hurlow as Chair of the Company’s Audit Committee, effective as of April 25, 2018, replacing Howard Atkinson. Mr. Hurlow is currently a member of the Board of Directors and Audit Committee. Mr. Philip Benson, a member of the Board of Directors, has also been appointed to the Audit Committee effective April 25, 2018.

On May 1, 2018, the Company announced it has extended its broadcast, cable and OTT TV commercial delivery coverage by connecting to the Pan-regional cable network for the Central and South American markets.

On August 1, 2018, the Company announced the signing of a renewal with the Hollywood Foreign Press Association (HFPA), the organization behind the Golden Globe® Awards. With options, the term of the renewal is 3 years. YANGAROO will continue to provide its digital awards management platform, which is powered by the Company’s patented Digital Media Distribution System (DMDS), a platform that streamlines every aspect of awards show management. The Golden Globe Awards are presented annually to recognize excellence in film and television.

On November 8, 2018, the Company announced a multi-year agreement with the Producers Guild of America (PGA) to provide the PGA with the YANGAROO Awards industry-leading digital platform to facilitate and administer online entries for the Producers Mark (“p.g.a.”) and the Producers Guild Awards, beginning in May 2019 for its 2020 awards show.

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:

	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Working capital	\$ 2,317,519	\$ 2,169,189	\$ 2,118,059	\$ 1,960,841
Revenues ^(a)	\$ 1,735,291	\$ 1,797,924	\$ 1,949,090	\$ 1,909,974
Expenses	\$ 1,650,445	\$ 1,816,752	\$ 1,864,119	\$ 1,821,481
Income (loss) for the period	\$ 84,846	\$ (18,828)	\$ 84,971	\$ 88,493
Reconciling items:				
Interest income	\$ (4,525)	\$ (5,391)	\$ (2,983)	\$ (386)
Interest expense	\$ 17,775	\$ 18,204	\$ 18,600	\$ 19,116
Depreciation of property and equipment	\$ 27,883	\$ 30,659	\$ 30,478	\$ 30,285
Income tax expense	\$ -	\$ 389	\$ -	\$ -
EBITDA (loss)	\$ 125,979	\$ 25,033	\$ 131,066	\$ 137,508
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

	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Working capital	\$ 1,889,281	\$ 1,922,361	\$ 1,768,336	\$ 1,207,905
Revenues	\$ 1,978,395	\$ 2,026,731	\$ 1,740,066	\$ 1,569,355
Expenses	\$ 2,194,106	\$ 1,855,134	\$ 1,707,217	\$ 1,429,368
Income (loss) for the period	\$ (215,711)	\$ 171,597	\$ 32,849	\$ 139,987
Reconciling items:				
Interest income	\$ (277)	\$ (444)	\$ -	\$ (132)
Interest expense	\$ 19,205	\$ 18,241	\$ 13,757	\$ 11,606
Depreciation of property and equipment	\$ 29,134	\$ 28,771	\$ 27,247	\$ 28,450
Income tax expense	\$ 3,572	\$ -	\$ 336	\$ 1,483
EBITDA (loss)	\$ (164,077)	\$ 218,165	\$ 74,189	\$ 181,394
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

^(a) Revenue was derived using IFRS 15 Revenue from Contracts with Customers for Q1-Q3 2018

EBITDA

In the quarter ended September 30, 2018, the Company's EBITDA was \$125,979, which increased by \$290,056 (177%) year over year and increased by \$100,946 (403%) compared to the quarter ended June 30, 2018. The increase in EBITDA from prior year and prior period was mainly the result of a decrease in overall operating expenses, particularly salaries and consulting expenses in the current period, net of a decrease in total revenues.

Normalized EBITDA

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

	Q3 2018	Q2 2018	Q1 2018	Q4 2017
EBITDA (loss)	\$ 125,979	\$ 25,033	\$ 131,066	\$ 137,508
Reconciling items:				
Stock option expenses	\$ 41,330	\$ 66,021	\$ 101,095	\$ 17,440
Foreign exchange loss (gain)	\$ 36,992	\$ (42,689)	\$ (52,595)	\$ (4,069)
Restructuring costs	\$ -	\$ -	\$ -	\$ -
Normalized EBITDA (loss)	\$ 204,301	\$ 48,365	\$ 179,566	\$ 150,879

	Q3 2017	Q2 2017	Q1 2017	Q4 2016
EBITDA (loss)	\$ (164,077)	\$ 218,165	\$ 74,189	\$ 181,394
Reconciling items:				
Stock option expenses	\$ 28,621	\$ 32,156	\$ 26,850	\$ 3,623
Foreign exchange loss (gain)	\$ 85,877	\$ 51,631	\$ 19,474	\$ (24,924)
Restructuring costs	\$ 428,506	\$ -	\$ -	\$ -
Normalized EBITDA (loss)	\$ 378,927	\$ 301,952	\$ 120,513	\$ 160,093

In the quarter ended September 30, 2018, the Company's normalized EBITDA was \$204,301, which decreased by 46% (\$174,626) year over year and increased by 322% (\$155,936) compared to the quarter ended June 30, 2018. 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, stock option expenses and restructuring costs.

Revenue

Total revenue was \$1,735,291, which decreased by 12% (\$243,104) over the same period in 2017 (September 30, 2017 - \$1,978,395) and decreased by 3% (\$62,633) from the previous quarter (June 30, 2018 - \$1,797,924).

	Q3 2018 ^(a)	Q3 2017	\$ Change	% Change
Advertising Division	\$ 1,036,861	\$ 1,283,127	\$ (246,266)	(19)%
Entertainment Division	\$ 698,430	\$ 695,268	\$ 3,162	0.5%
Total Revenue	\$ 1,735,291	\$ 1,978,395	\$ (243,104)	(12)%

^(a) Revenue was derived using IFRS 15 Revenue from Contracts with Customers for Q3 2018

(i) Advertising

YANGAROO earned advertising revenue of \$1,036,861 in the quarter, which marked a 19% (\$246,266) decrease over the same period in 2017 (September 30, 2017 - \$1,283,127) and a 1% (\$11,769) increase in revenue from the previous quarter (June 30, 2018 - \$1,025,092). The decrease from the prior year was due to reduced campaign spending by clients and in some cases loss of business by clients. The slight increase from the prior period was due to sales starting to rise in August primarily due to seasonal influences in order flow.

(ii) Entertainment

Entertainment Division revenues were \$698,430 for the quarter, which increased by 0.5% (\$3,162) over the same period in 2017 (September 30, 2017 - \$695,268) and decreased by 10% (\$74,402) over those in the previous quarter (June 30, 2018 - \$772,832). The increase from prior year was mainly due to the following: licensing fees being consistently earned and seasonal changes in the music audio delivery stream; net of a decrease in the Awards Management revenue stream, as a result of the change in revenue recognition standards in the current period. The decrease in revenue from prior period was mainly due to seasonal changes in the volume of video deliveries and in the Awards Management revenue stream. The recognition of revenue from individual award shows within a quarter created quarterly variances. This decrease was net of an increase in membership subscription fees.

Operating Expenses

	Q3 2018	Q3 2017	\$ Change	% Change
Total commission and production costs	\$ 87,772	\$ 104,789	\$ (17,017)	(16)%
Total fixed costs:				
Salaries and consulting	\$ 1,135,100	\$ 1,645,056	\$ (509,956)	(31)%
Marketing and promotion	\$ 107,591	\$ 83,263	\$ 24,328	29%
General and administrative	\$ 194,108	\$ 196,828	\$ (2,720)	(1)%
Technology development	\$ 47,749	\$ 26,659	\$ 21,090	79%
Depreciation of property and equipment	\$ 27,883	\$ 29,134	\$ (1,251)	(4)%
Total fixed costs	\$ 1,512,431	\$ 1,980,940	\$ (468,509)	(24)%
Total operating expenses	\$ 1,600,203	\$ 2,085,729	\$ (485,526)	(23)%

Commission and Production Costs

Total commission and production costs for the three months ended September 30, 2018 was \$87,772. This balance marked a 16% (\$17,017) decrease over the same period in the prior year (September 30, 2017 - \$104,789) and an 11% (\$11,070) decrease from the previous quarter (June 30, 2018 - \$98,842). The decrease from prior year was mainly due to lower commission costs as a result of a decrease in the Advertising Division revenue stream. The decrease from prior year was due to lower commission costs as a result of a decrease in the Entertainment Division revenue stream. Production costs also decreased from prior year and prior period as a result of fewer production orders in the current period.

Fixed Costs

Total fixed costs for the three months ended September 30, 2018 was \$1,512,431, which decreased by 24% (\$468,509) over the same period in fiscal 2017 (September 30, 2017 - \$1,980,940) and decreased by 13% (\$234,966) from the previous quarter (June 30, 2018 - \$1,747,397).

(i) Salaries and Consulting

Salaries and consulting expense for the three months ended September 30, 2018 was \$1,135,100. This balance marked a 31% (\$509,956) decrease over the same period in the prior year (September 30, 2017 - \$1,645,056) and an 18% (\$253,561) decrease from the previous quarter (June 30, 2018 - \$1,388,661). The decrease from prior year was mainly due to one-time restructuring costs incurred in the prior year and the adjustment to the bonus accrual in the current period. This decrease was offset by salary adjustments and additional consulting work performed in the current period. The decrease from prior period was mainly due to a lower value of stock option expenses and the adjustment to the bonus accrual

in the current period.

(ii) Marketing and Promotion

Marketing and promotion expense increased by 29% (\$24,328) from \$83,263 for the quarter ended September 30, 2017 to \$107,591 for the quarter ended September 30, 2018. This expense increased by 19% (\$17,360) from the previous quarter (June 30, 2018 - \$90,231). The increase from prior year and prior period was mainly due to an increase in sponsorship and conference expenses, net of a decrease in travelling costs in the current period.

(iii) General and Administrative

General and administrative expense for the three months ended September 30, 2018 was \$194,108, which decreased by 1% (\$2,720) over the same period in the prior year (September 30, 2017 - \$196,828) and decreased by 1% (\$2,708) from the previous quarter (June 30, 2018 - \$196,816). The decrease from prior year was mainly due to lower legal costs related to general business matters, net of an increase in rent expense due to head office relocation. The decrease from prior period was mainly due to lower general office expenses and the absence of costs related to the Company's Annual Meeting of the Shareholders, which took place in the prior period. The overall decrease was net of an increase in higher credit card processing fees in the current period.

(iv) Technology Development

For the three months ended September 30, 2018, technology development expense was \$47,749. This expense increased by 79% (\$21,090) over the same period in the prior year (September 30, 2017 - \$26,659), and increased by 16% (\$6,719) from the previous quarter (June 30, 2018 - \$41,030). The increase from prior year was mainly due to a smaller accrual for investment tax credits in the current period as a result of lower estimated expenses to be incurred in 2018 and an increase in software licenses to support growing business requirements. The increase from prior period is the result of higher software license expenses.

Revenue, Net of Commission and Production Costs

Revenue, net of commission and production costs was \$1,647,519 for the three months ended September 30, 2018, which decreased by 12% (\$226,087) over the same period in 2017 (September 30, 2017 - \$1,873,606) and decreased by 3% (\$51,563) from the previous quarter (June 30, 2018 - \$1,699,082).

	Q3 2018^(a)	Q3 2017	\$ Change	% Change
Total revenues	\$ 1,735,291	\$ 1,978,395	\$ (243,104)	(12)%
Total commission and production costs	\$ 87,772	\$ 104,789	\$ (17,017)	(16)%
Revenue, net of commission and production costs	\$ 1,647,519	\$ 1,873,606	\$ (226,087)	(12)%

(a) Revenue was derived using IFRS 15 Revenue from Contracts with Customers for Q3 2018

Net Income (Loss) and Comprehensive Income (Loss)

The Company incurred net income of \$84,846 in the current period, an increase of 139% (\$300,557) from the same period in the prior year (September 30, 2017 - net loss of \$215,711). The current period net income represents a 551% (\$103,674) increase from the previous quarter (June 30, 2018 - net loss of \$18,828). 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 year to date is \$5,482,305, a 5% decline over the prior year. Normalized EBITDA year to date is \$432,232 compared to \$801,392 in 2017.

“As stated last quarter, despite lower revenue year to date, business development efforts are progressing well,” said Gary Moss, President & CEO of YANGAROO. “I am pleased to report that the Company expects that new customers signed in the second half of this year and who are coming on-line in the fourth quarter, will contribute annual run-rate revenue growth in the Advertising division, of at least 15% in 2019. The Company also expects Advertising division revenue to increase sequentially in Q4 from Q3 due to the seasonal strengthening of order flow and business from new customers. Business development efforts continue aggressively and we anticipate adding to this new business over the coming months. The Company continues to carefully control costs in line with revenue.”

As at November 16, 2018, the Company had a cash balance of \$1,640,424 and working capital of \$2,741,237.

The Company will continue to invest funds in building its business to achieve key market and growth targets. The Company has identified a goal of 10% market share of the North American advertising distribution market. 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 November 22, 2018:

Common shares	61,339,140
Warrants	3,009,845
Stock options - Non vested	807,000
Stock options - Vested	4,199,500

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, 2018, are as follows:

- 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 adopted the following standard during the nine months ended September 30, 2018:

The Company adopted IFRS 9 *Financial Instruments*, effective January 1, 2018, which supersedes IAS 39, *Financial Instruments: recognition and measurement* (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit and loss (FVTPL).

Where financial assets are measured at fair value, gains and losses are either recognized entirely in profit or loss (FVTPL), or recognized in other comprehensive income (fair value through other comprehensive income, FVTOCI).

For debt instruments, the FVTOCI classification is mandatory for certain assets unless the fair value option is elected. Whilst for equity investments, the FVTOCI classification is an election. Furthermore, the requirements for reclassifying gains or losses recognized in other comprehensive income are different for debt instruments and equity investments.

The classification of a financial asset is made at the time it is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

A debt instrument that meets both the business model test and cash flow characteristics test must be measured at amortized cost (net of any write down for impairment) unless the asset is designated at FVTPL under the fair value option.

Below is a summary showing the classification and measurement bases of the Company’s financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with a comparison to IAS 39). There was no material impact on the Company’s financial statements from the adoption of IFRS 9.

The Company adopted IFRS 15 *Revenue from Contracts with Customers*, effective January 1, 2018. IFRS

Financial instrument	IAS 39	IFRS 9
Financial assets		
Cash	Fair value through profit or loss	Fair value through profit or loss
Accounts receivable	Loans and receivables	Amortized cost
Contractual assets	Loans and receivables	Amortized cost
Financial liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Finance lease obligations	Other financial liabilities	Amortized cost
Loan payable	Other financial liabilities	Amortized cost
Debentures	Other financial liabilities	Amortized cost
Contractual severance payable	Other financial liabilities	Amortized cost

15 supersedes previous accounting standards for revenue, including IAS 18, *Revenue* (IAS 18) and IFRIC 13, *Customer loyalty programmes* (IFRIC 13).

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

The Company has elected to adopt IFRS 15 using the cumulative effect method as of the date of initial application on January 1, 2018, with no restatement of comparative period amounts. As the effect of adopting IFRS 15 did not have a material impact on the financial statements, there was no adjustment made to the opening balance of equity at the date of initial application.

Under the cumulative effect method, the Company chose to apply the requirements of the new standard to only contracts that were open, (not complete as defined under the new standard) at the date of initial application. The application of IFRS 15 impacted the awards management revenue stream. The other revenue streams such as advertising, audio/video delivery, licensing and subscription fees were not impacted by the application of IFRS 15 as the performance obligations were fulfilled within a short period of time or at the point of sale with customers.

Under IAS 18, the Company recognized revenue related to awards management projects based on the percentage of completion of certain milestones during the project. These milestones were mutually set by the Company and its customers based on billing schedules. Under IFRS 15, revenue is recognized upon satisfying performance obligations, which include the transfer of promised goods and/or services to a customer, such that the customer obtains control of the goods and/or services. The performance obligations include successfully developing and implementing customized awards management solutions, which

include but are not limited to awards submission sites and awards judging sites, getting the sites ready for use, and providing customer support services during the submission and/or judging periods.

IFRS 15 affected the revenue line item on the unaudited condensed interim statements of income for the period ended September 30, 2018 and 2017. In addition, new assets and liabilities have been recognized on the unaudited condensed interim statements of financial position. Specifically, a contract asset and contract liability is recognized to account for any timing differences between the revenue recognized and the amounts billed to the customer.

The Company records a contract asset when it has provided goods and services to its customer but its right to related consideration for the performance obligation is conditional on satisfying other performance obligations. Contract assets primarily relate to the Company's rights to consideration for successfully developing and implementing customized awards management solutions, which include but are not limited to awards submission sites and awards judging sites. The Company recognizes a contractual asset when the site is ready for use, however remaining obligations such as providing customer support services during the submission and/or judging periods have not been fully provided. The Company records a contract liability when it bills a customer in advance of providing goods and services. These include situations when a milestone payment is due before the customized awards management solution is completely developed or related services fully provided.

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 nine months ended September 30, 2018, the Company reported net income of \$150,989 (2017 – net loss of \$11,265) and received net cash in operating activities of \$131,357 (2017 – \$415,240). Although the Company has generated net income and positive cash flows from operations during the nine months ended September 30, 2018, the Company has a deficit of \$37,209,023 (December 31, 2017 - \$37,360,012). 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 obtaining 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 21% 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.

On behalf of the Board of Directors
Gary Moss,
Director, President and Chief Executive Officer

CORPORATE INFORMATION

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Board of Directors

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

Officers

Gary Moss	<i>Chief Executive Officer, President & 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

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