



YANGAROO Inc.

Management's Discussion and Analysis

For the quarter ended March 31, 2020

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

Introduction

Unless the context suggests otherwise, references to “the Company”, “Yangaroo”, 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 unaudited condensed interim financial statements for the three months ended March 31, 2020 and 2019 and the audited financial statements and related notes for the years ended December 31, 2019 and 2018 (the “Financial Statements”) which are prepared in accordance with International Financial Reporting Standards (“IFRS”). The information below is prepared in accordance with IFRS and is presented in Canadian dollars, unless otherwise noted.

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 May 6, 2020. 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 is a software company that is the provider of work-flow management solutions for the media industry. The Company's Digital Media Distribution System (DMDS) platform is an end to end technology solution that provides a fully integrated work-flow based digital distribution and data management solution. DMDS provides audio and video content for music audio and video and advertising to television, radio, media, retailers, award shows and other authorized recipients via the cloud in desktop and mobile platforms.

YANGAROO Inc. is a publicly listed company incorporated on July 28, 1999 under the laws of Ontario as Musicrypt.com Inc. and changed to its present name on July 17, 2007. YANGAROO trades on the TSX Venture Exchange (TSX-V) under the symbol YOO and in the U.S. under OTCBB: YOOIF.

The address of the Company’s corporate office and principal place of business is 67 Mowat Avenue, Suite 535, Toronto, Ontario, M6K 3E3.

Outlook

Consolidated revenue for the first quarter of 2020 was \$2,372,767 compared to \$1,633,154 and \$1,851,590 in the first quarter of 2019 and fourth quarter of 2019, respectively. The Company generated positive normalized EBITDA of \$560,042 during the quarter ended March 31, 2020, in comparison to a normalized EBITDA loss of \$164,869 in the prior year quarter ended March 31, 2019 and positive normalized EBITDA of \$272,552 in the fourth quarter of 2019 ended December 31, 2019. The increase in revenue and normalized EBITDA in Q1 2020 is primarily attributable to increased Advertising Division revenue resulting from organic growth initiatives and an active political primary campaign season in the United States.

“Prior to the onset of the unprecedented and challenging times facing our industry and economy as a result of the COVID-19 global pandemic, we had exceptional growth in our Advertising Division revenues during the first quarter. This reflects the extraordinary impact of political advertising leading up to the 2020 US presidential election, and as such is transitory spending that is unlikely to be sustained and will not be replicated annually. Excluding political campaign activity, however, our customers’ increased usage of our platform resulted in revenue growth in excess of 20% year-over-year. This was ahead of our expectations for Advertising revenue growth for the first quarter of 2020. Entertainment Division revenues during the first quarter were flat to a little weaker year-over-year resulting from the impact of COVID-19 on some of our independent music artists and music labels.”

Gary Moss added, “Although it is difficult to assess the impact of COVID-19 on our business for the remainder of 2020, we have a strong balance sheet and working capital position resulting from the positive Q1 2020 results prior to the onset of COVID-19. We plan to utilize this relative strength in ensuring our business, employees and shareholders come out of this crisis on a strong footing.”

As at March 31, 2020, the Company had a working capital surplus of \$2,723,000.

Results of Operations

Summary of Quarterly Results

The following table sets out selected key financial information as tracked by management.

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Working capital ^(a)	\$ 2,723,000	\$ 2,086,700	\$ 1,907,840	\$ 1,658,660
Revenues	\$ 2,372,767	\$ 1,851,590	\$ 1,959,865	\$ 1,987,636
Gross margin	95.17 %	94.62 %	95.88 %	95.69 %
Expenses	\$ 1,744,156	\$ 1,692,801	\$ 1,813,858	\$ 1,992,067
Income (loss) for the period	\$ 628,609	\$ 157,485	\$ 157,603	\$ (90,433)
Reconciling items:				
Interest income	\$ (3,696)	\$ (4,233)	\$ (4,549)	\$ (5,552)
Interest expense	\$ 8,313	\$ 5,422	\$ 6,144	\$ 30,493
Depreciation of property and equipment	\$ 71,311	\$ 67,798	\$ 66,468	\$ 64,888
Income tax expense	\$ -	\$ (72)	\$ 4,069	\$ -
EBITDA	\$ 704,538	\$ 226,401	\$ 229,735	\$ (604)
Income (loss) per share - basic	\$ 0.01	\$ (0.00)	\$ 0.00	\$ (0.00)
Income (loss) per share - diluted	\$ 0.01	\$ (0.00)	\$ 0.00	\$ (0.00)

	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Working capital	\$ 1,633,766	\$ 2,724,443	\$ 2,317,519	\$ 2,169,189
Revenues	\$ 1,633,154	\$ 2,005,479	\$ 1,735,291	\$ 1,797,924
Gross margin	93.23 %	94.41 %	94.94 %	94.50 %
Expenses	\$ 1,953,520	\$ 1,643,413	\$ 1,650,445	\$ 1,816,752
Income (loss) for the period	\$ (376,003)	\$ 362,066	\$ 84,846	\$ (18,828)
Reconciling items:				
Interest income	\$ (7,433)	\$ (4,901)	\$ (4,525)	\$ (5,391)
Interest expense	\$ 22,688	\$ 17,661	\$ 17,775	\$ 18,204
Depreciation of property and equipment	\$ 58,567	\$ 24,390	\$ 27,883	\$ 30,659
Income tax expense	\$ 324	\$ 6,193	\$ -	\$ 389
EBITDA	\$ (301,857)	\$ 405,409	\$ 125,979	\$ 25,033
Income (loss) per share - basic	\$ (0.01)	\$ 0.01	\$ 0.00	\$ 0.00
Income (loss) per share - diluted	\$ (0.01)	\$ 0.01	\$ 0.00	\$ 0.00

(a) The Company adopted IFRS 16 – Leases beginning January 1, 2019 using the modified retrospective approach without restating historic financial statements. As at March 31, 2020, the Company has an additional \$146,757 in current liabilities related to the current portion of finance lease obligations resulting from the adoption of IFRS 16.

EBITDA

For the quarter ended March 31, 2020, the Company's EBITDA was \$704,538, an increase of \$1,006,395 or 334% year over year and an increase of \$478,139 or 211% compared to the quarter ended December 31, 2019. The increase in EBITDA from the prior year and prior quarter was primarily attributed to an increase in advertising revenues driven by political-industry customers in the United States and foreign exchange gains resulting from the appreciation of the US dollar versus the Canadian dollar.

Normalized EBITDA

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

	Q1 2019	Q4 2018	Q3 2018	Q4 2018
EBITDA (loss)	\$ (301,857)	\$ 405,409	\$ 125,979	\$ 405,409
Reconciling items:				
Stock option expenses	\$ 96,930	\$ 33,567	\$ 41,330	\$ 33,567
Foreign exchange loss (gain)	\$ 40,058	\$ (99,714)	\$ 36,992	\$ (99,714)
Normalized EBITDA	\$ (164,869)	\$ 339,262	\$ 204,301	\$ 339,262

	Q1 2020	Q4 2019	Q3 2019	Q2 2019
EBITDA (loss)	\$ 704,538	\$ 226,401	\$ 229,735	\$ (604)
Reconciling items:				
Stock option expenses	\$ 58,345	\$ 46,404	\$ 81,534	\$ 86,555
Foreign exchange loss (gain)	\$ (202,842)	\$ (38,812)	\$ (55,834)	\$ 61,500
Normalized EBITDA	\$ 560,042	\$ 311,617	\$ 255,834	\$ 147,451

For the quarter ended March 31, 2020, the Company's normalized EBITDA was \$560,042, an increase of \$724,611 or 440% year over year and an increase of \$287,490 or 105% compared to the quarter ended December 31, 2019. The increase in normalized EBITDA versus prior year period and prior period are consistent with those of the EBITDA discussed above, excluding the impact of the foreign exchange gains and stock option expenses.

Revenue

For the quarter ended March 31, 2020 revenue was \$2,372,767, an increase of \$739,612 or 45% over the same period in 2019 and an increase of \$521,177 or 28% from the previous quarter (December 31, 2019 - \$1,851,590).

	Q1 2020	Q1 2019	\$ Change	% Change
Advertising Division	\$ 1,736,978	\$ 966,474	\$ 770,502	80%
Entertainment Division	\$ 635,789	\$ 666,680	\$ (30,891)	-5%
Total Revenue	\$ 2,372,767	\$ 1,633,154	\$ 739,612	45%

(i) Advertising

The Company earned advertising revenue of \$1,736,978 in the current quarter, an increase of \$770,502 or 80% over the same period in 2019 and an increase of \$630,178 or 57% versus the previous quarter (December 31, 2019 - \$1,106,800). The increase from the previous year and quarter was primarily attributed to increased spending from political-industry customers resulting from the United States Presidential primary campaigns.

(ii) Entertainment

The Company earned entertainment revenue of \$635,789 in the current quarter, representing a decrease of \$30,891 or 5% over the same period in 2019 and a decrease of \$109,001 or 15% versus the previous quarter (December 31, 2019 - \$744,790). The decrease from the prior year and prior quarter was primarily attributed to an overall slow-down in demand for music towards the end of the current quarter and attributed to COVID-19.

Operating Expenses

	Q1 2020	Q1 2019	\$ Change	% Change
Total commission and production costs	\$ 114,666	\$ 110,517	\$ 4,148	4%
Total fixed costs:				
Salaries and consulting	\$ 1,446,312	\$ 1,451,590	\$ (5,278)	-0%
Marketing and promotion	\$ 92,312	\$ 114,965	\$ (22,654)	-20%
General and administrative	\$ 163,990	\$ 151,557	\$ 12,443	8%
Technology development	\$ 53,791	\$ 41,819	\$ 11,972	29%
Depreciation of property and equipment	\$ 71,311	\$ 80,903	\$ (9,592)	-12%
Total fixed costs	\$ 1,827,715	\$ 1,840,834	\$ (13,118)	-7%
Total operating expenses	\$ 1,942,381	\$ 1,951,351	\$ (8,970)	-0%

Commission and Production Costs

Total commission and production costs for the quarter ended March 31, 2020 was \$114,66 and represents an increase of \$4,148 or 4% from the prior year period and an increase of \$11,107 or 11% from the previous quarter (December 31, 2019 - \$60,785). Commission and production costs are highly correlated to advertising and entertainment revenue, respectively, and as such trend carefully with these two-line items. The decrease compared to the prior year and previous quarter are primarily attributed to lower estimates expenses with respect to technology royalty fees.

Fixed Costs

Total fixed costs for the quarter ended March 31, 2020 was \$1,827,715, a decrease of \$14,988 or 1% over the prior year period and an increase of \$234,324 or 14% from the previous quarter (December 31, 2019 - \$1,593,390).

(i) Salaries and Consulting

Salaries and consulting expenses for the quarter ended March 31, 2020 were \$1,446,312 representing a decrease of \$5,278 or 0% over the same period in the prior year and an increase of \$305,164 or 27% from the previous quarter (December 31, 2019 - \$1,141,148). Salaries and consulting expenses were flat compared to the same period in 2019. The increase from the previous quarter is primarily attributed to higher estimates related to contingent executive compensation and higher foreign exchange on US based employee compensation.

(ii) Marketing and Promotion

Marketing and promotion expenses for the quarter ended March 31, 2020 were \$92,312 representing a decrease of \$22,654 or 20% versus the prior year period and a decrease of \$16,613 or 15% versus the prior quarter (December 31, 2019 - \$108,474). The decrease from the prior year and previous quarter are primarily attributed to lower travel expenditures, sponsorship and conference fees due to a general economic slow-down and travel restrictions related to COVID-19.

(iii) General and Administrative

General and administrative expenses for the quarter ended March 31, 2020 were \$163,990 representing an increase of \$12,443 or 8% over the same period in the prior year and a decrease of \$64,164 or 28% from the previous quarter (December 31, 2019 - \$228,154). The decrease from the prior year and previous quarter are both primarily attributed lower general overhead expenditures.

(iv) Technology Development

Technology development expenses for the quarter ended March 31, 2020, were \$53,791 representing an increase of \$11,972 or 29% over the same period in the prior year and an increase of \$5,975 or 12% from the previous quarter (December 31, 2019 - \$47,816). The increase from the prior year and previous quarter are both primarily attributed higher technology spending.

Revenue, Net of Commission and Production Costs, and Gross Margins

	Q1 2020	Q1 2019	\$ Change	% Change
Total revenues	\$ 2,372,767	\$ 1,633,154	\$ 739,613	45%
Total commission and production costs	\$ 114,666	\$ 110,517	\$ 4,149	4%
Revenue, net of commission and production costs	\$ 2,258,101	\$ 1,522,637	\$ 735,464	48%
Gross margin	95.17 %	93.12 %		2%

Commission and Production Costs

Revenue, net of commission and production costs, was \$2,258,101 for the quarter ended March 31, 2020, an increase of \$735,464 or 48% over the same period in 2019 and an increase of \$505,921 or 29% from the previous quarter (December 31, 2019 - \$1,790,805). See above variance analysis on revenues and variable costs.

Gross Margin

Gross margin was 95.17% for the quarter ended March 31, 2020, an increase of 2% over the same period in 2019 and flat compared to the previous quarter (December 31, 2019 – 94.62%). The increase from the prior year and previous quarter are both related to lower estimated expenses with respect to commissions and technology royalty fees realized in the current quarter.

Net Income and Comprehensive Income

The Company earned net income of \$628,609 in the current quarter, an increase of \$1,003,551 or 268% from the same period in the prior year and an increase of \$471,126 or 300% versus the previous quarter (December 31, 2019 - \$157,485). The reasons for the changes from the prior year and previous quarter are consistent with those of the EBITDA and normalized EBITDA discussions above. Additionally, see above variance analysis on revenues and operating expenditures.

Corporate Activities

On April 8, 2020, the Company announced the appointment of Michael Durance to the Company's board of directors. Mr. Durance is the CEO and Managing Director of xiVentures Fund Management Inc. ("xiVentures"). xiVentures is based in Toronto, Canada and manages a boutique investment fund focused on select quality technology opportunities.

On April 16, 2020, the Company announced the appointment of H. Shepard Boone to the Company's board of directors. Mr. Boone is a Senior Vice President and portfolio manager at Ingalls & Snyder LLC, a New York based investment advisor and broker-dealer. He has over 30 years of experience in debt and equity investments.

On April 16, 2020, the Company announced the resignation of Gerry Hurlow from the Company's board of directors. The Company thanks Mr. Hurlow for his many years of service on the board of directors. Mr. Hurlow's stock option holdings, totalling 215,000, were cancelled and returned to the Company.

Subsequent Events

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

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

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

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.

Gross margin as defined by the Company means revenue, net of commissions and production costs, as a percentage of revenue.

Working capital as defined by the Company means current assets less current liabilities.

The Company believes EBITDA, revenue, net of commission and production costs, gross margins, and working capital, are useful measures because they provide information to both management and investors with respect to the operating and financial performance of the Company.

Share Capital

The following securities were outstanding as at May 12, 2020:

Common shares	60,472,140
Warrants	-
Stock Options	6,882,500

Liquidity Risk and Capital Resources

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

As at March 31, 2020, the Company had a cash balance of \$1,973,686 and working capital of \$2,723,000.

The Company also has drawn down on a revolving demand loan facility of \$750,000 with undrawn capacity at March 31, 2020 of \$nil. Borrowings are due on demand and bear interest at prime plus 0.5% per annum and are secured by a general security agreement.

As at March 31, 2020 the Company had no capital commitments, other than as disclosed in the financial statements.

Off-Balance Sheet Arrangements

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

statements.

Related Party Transactions

Key management personnel are comprised of the Company's directors and executive officers. In addition to their salaries, key management personnel also participate in the Company's share option program. Details are disclosed in notes to the condensed interim financial statements for the three months ended March 31, 2020 and 2019.

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. Please refer to the condensed interim financial statements for the three months ended March 31, 2020 and 2019 for further information.

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

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

Approval by the Board of Directors

The Board of Directors, on recommendation of the Audit Committee, approved the content of this MD&A on May 6, 2020. Disclosure contained in this document is current to this date, unless otherwise stated.

Other Information

Additional information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com.

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 & Compensation Committee (Chairman)</i>
H. Shepard Boone	<i>Member of Audit Committee & Compensation Committee</i>
Michael Durance	<i>Member of Audit Committee & Compensation Committee</i>
Phil Benson	<i>Member of Audit Committee & Compensation Committee</i>
Gary Moss	<i>Chief Executive Officer, President & Secretary</i>

Officers

Gary Moss	<i>Chief Executive Officer, President & Secretary</i>
Grant Schuettrumpf	<i>President, Advertising</i>
Dom Kizek	<i>Chief Financial Officer</i>
Richard Klosa	<i>Chief Technology Officer</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., 8th 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
Toronto, Ontario, Canada M5H 4C7
Phone: 416-480-0160 Fax: 416-480-2646

Legal Counsel

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