

# **YANGAROO Inc.**

Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited)

# YANGAROO Inc.

Condensed Interim Statements of Financial Position (Unaudited)  
(Expressed in Canadian dollars)

	As at	
	September 30 2021	December 31 2020
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,620,491	\$ 1,861,253
Accounts receivable	1,989,718	1,755,391
Prepaid and sundry assets	554,297	425,083
Contract assets	79,742	96,550
	<b>4,244,248</b>	<b>4,138,277</b>
<b>Non-current</b>		
Property and equipment (note 7)	940,906	366,751
Intangible assets (note 8)	2,197,040	-
Goodwill (note 9)	3,829,946	-
	<b>\$ 11,212,140</b>	<b>\$ 4,505,028</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables (note 10)	\$ 725,240	\$ 800,198
Contract liabilities	116,362	50,692
Current portion of lease obligations (note 11)	389,436	182,918
Current portion of term loan facility (note 12)	483,505	-
	<b>1,714,543</b>	<b>1,033,808</b>
<b>Non-current</b>		
Lease obligations (note 11)	395,269	77,509
Term loan facility (note 12)	2,624,664	-
Contingent consideration (note 6)	2,666,513	-
	<b>7,400,989</b>	<b>1,111,317</b>
<b>Equity</b>		
Share capital (note 13)	32,460,572	32,446,702
Contributed surplus	7,127,264	7,035,352
Deficit	(35,776,685)	(36,088,343)
	<b>3,811,151</b>	<b>3,393,711</b>
	<b>\$ 11,212,140</b>	<b>\$ 4,505,028</b>

Commitments and contingencies (note 19)

Approved by the Board of Directors

"Anthony Miller"  
Director

"Phil Benson"  
Director

See accompanying notes, which are an integral part of these condensed interim financial statements

# YANGAROO Inc.

Condensed Interim Statements of Net Income and Comprehensive Income (Unaudited)

Three and Nine Months Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
<b>Revenue (note 16)</b>	<b>\$ 3,059,383</b>	\$ 1,921,312	<b>\$ 6,772,763</b>	\$ 5,880,774
<b>Expenses</b>				
Salaries and consulting (notes 14,17 & 18)	2,187,534	1,137,043	4,367,362	3,950,370
Marketing and promotion	6,159	1,691	44,528	108,043
General and administrative	225,135	252,091	463,041	600,851
Technology and production	291,704	58,236	464,267	178,428
Depreciation of property and equipment and amortization of intangible assets (note 7 & 8)	290,170	65,454	509,787	204,808
Acquisition fees (note 6)	51,262	-	433,574	-
	<b>3,051,964</b>	1,514,515	<b>6,282,559</b>	5,042,500
<b>Net Income from operations</b>	<b>7,419</b>	406,797	<b>490,204</b>	838,274
<b>Other income (expenses)</b>				
Interest income	(176)	1,166	606	6,577
Interest expense	(81,604)	(3,749)	(115,964)	(19,727)
Foreign exchange gain (loss)	76,820	(19,584)	(63,188)	118,284
	<b>(4,960)</b>	(22,167)	<b>(178,546)</b>	105,134
<b>Net income (loss) before income tax</b>	<b>2,459</b>	384,630	<b>311,658</b>	943,408
Corporate income tax	-	-	-	-
<b>Net income (loss) and comprehensive income (loss)</b>	<b>\$ 2,459</b>	\$ 384,630	<b>\$ 311,658</b>	\$ 943,408
<b>Basic income (loss) per share (note 15)</b>	<b>\$ 0.00</b>	\$ 0.01	<b>\$ 0.01</b>	\$ 0.02
<b>Diluted income (loss) per share (note 15)</b>	<b>\$ 0.00</b>	\$ 0.01	<b>\$ 0.00</b>	\$ 0.02

See accompanying notes, which are an integral part of these condensed interim financial statements

# YANGAROO Inc.

Condensed Interim Statements of Changes in Equity (Unaudited)

Nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Warrant Capital	Contributed Surplus	Deficit	Total
Balance at January 1, 2020 (audited)	60,833,640	\$32,490,832	\$29,950	\$6,851,029	\$(36,998,315)	\$2,373,496
Share-based payments (note 14)	-	-	-	137,960	-	137,960
Share repurchased and cancelled (note 13)	(361,500)	(44,130)	-	-	-	(44,130)
Expiry of warrants	-	-	(29,950)	29,950	-	-
Income for the period	-	-	-	-	943,408	943,408
<b>Balance at September 30, 2020</b>	<b>60,472,140</b>	<b>\$32,446,702</b>	<b>\$ -</b>	<b>\$7,018,939</b>	<b>\$(36,054,907)</b>	<b>\$3,410,734</b>
Balance at January 1, 2021 (audited)	60,472,140	\$32,446,702	\$ -	\$7,035,352	\$(36,088,343)	\$3,393,711
Share-based payments (note 14)	-	-	-	98,144	-	98,144
Exercise of options (note 13, 14)	60,000	13,870	-	(6,232)	-	7,638
Net income for the period	-	-	-	-	311,658	311,658
<b>Balance at September 30, 2021</b>	<b>60,532,140</b>	<b>\$32,460,572</b>	<b>\$ -</b>	<b>\$7,127,264</b>	<b>\$(35,776,685)</b>	<b>\$3,811,151</b>

See accompanying notes, which are an integral part of these condensed interim financial statements

# YANGAROO Inc.

Condensed Interim Statements of Cash Flows (Unaudited)

Nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

	<b>Nine Months Ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flow from operating activities</b>		
Net income for the period	\$ 311,658	\$ 943,408
Items not affecting cash:		
Depreciation of property and equipment and amortization of intangible assets	536,106	204,808
Amortization of deferred financing costs	24,234	-
Expected credit loss (recovery) expense and write-off of account receivables	(25,173)	43,019
Share-based payments (note 14)	98,144	137,960
Accrued contractual severance payable	(262,500)	-
Unrealized foreign exchange loss	(48,293)	(319,009)
Changes in non-cash operating working capital:		
Accounts receivable	765,023	220,501
Prepaid and sundry assets	(81,419)	22,334
Contract assets	16,808	38,745
Trade and other payables	47,301	246,466
Contract liabilities	65,670	(16,968)
<b>Net cash from operating activities</b>	<b>1,447,559</b>	<b>1,521,264</b>
<b>Cash flow used in investing activities</b>		
Acquisition of property and equipment (note 7)	(145,966)	(69,753)
Additions to product development assets (note 8)	(579,491)	-
Acquisition of Digital Media Services (note 6)	(3,812,212)	-
<b>Net cash used in investing activities</b>	<b>(4,537,669)</b>	<b>(69,753)</b>
<b>Cash flow from (used in) financing activities</b>		
Payment of lease obligations (note 11)	(201,523)	(166,875)
Proceeds from term loan facility (note 12)	3,083,935	-
Proceeds from (repayment of) revolving loan facility (note 12)	-	(750,000)
Exercise of options (note 13)	7,638	-
Common shares repurchased and cancelled (note 13)	-	(44,130)
<b>Net cash from (used in) financing activities</b>	<b>2,890,050</b>	<b>(961,005)</b>
<b>Net increase (decrease) in cash</b>	<b>(200,060)</b>	<b>490,506</b>
<b>Effect of foreign exchange on cash</b>	<b>(40,702)</b>	<b>223,120</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,861,253</b>	<b>1,570,483</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,620,491</b>	<b>\$ 2,284,109</b>
<b>Cash interest paid</b>	<b>\$ 115,964</b>	<b>\$ 15,978</b>

See accompanying notes, which are an integral part of these condensed interim financial statements

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and nine months ended September 30, 2021 and 2020  
(Expressed in Canadian dollars, unless otherwise noted)

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## 1. Nature of Operations

YANGAROO Inc. ("Company") 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, music videos, advertising to television, radio, media, retailers, award shows and other authorized recipients via the cloud in desktop and mobile platforms, as well as related work-flow services such as data analytics and program clearance data management.

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.

## 2. Basis of Preparation

### **(a) Basis of compliance**

These condensed interim financial statements were prepared using the same accounting policies and methods as those used in the Company's audited financial statements for the year ended December 31, 2020. These condensed interim financial statements are in compliance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), have been omitted. The preparation of these unaudited condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2020.

These condensed interim financial statements were authorized for issue by the Board of Directors on November 23, 2021.

### **(b) Basis of measurement**

The condensed interim financial statements have been prepared on the historical cost basis except certain financial instruments recorded at fair value through profit and loss. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy.

The condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
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## 2. Basis of Preparation (continued)

The preparation of these condensed interim 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 of complexity, or areas where assumptions and estimates are significant to the condensed interim financial statements are as follows:

(i) Share-based payments

Share-based payments which include stock options granted to employees, officers and directors and warrants granted to agents and debenture holders, to the extent that they are not measured at the fair value of the services received, are based on the fair value at the date of the award. These share-based payments are valued using the Black-Scholes option pricing model, which includes inputs that require management's estimates and assumptions.

(ii) Revenue recognition

To the extent a contract includes multiple performance obligations, the Company applies judgment to determine whether these performance obligations are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation. Additionally, recognition of revenue requires significant judgment to determine if revenue is recognized at a point in time or over time.

(iii) Investment tax credits

The Company uses judgment to determine the reasonable assurance of collection and estimates the valuation of investment tax credits to be accrued.

(iv) Functional currency

The Company uses judgment to determine the Company's functional currency.

(v) Collectability of accounts receivable

The Company applies the simplified method to measure loss allowance on accounts receivable at an amount equal to the lifetime expected credit loss (ECL).

(vi) Leases

The Company uses judgment to determine the incremental borrowing rate used to calculate the initial liability and corresponding asset. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
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## 2. Basis of Preparation (continued)

### (vii) Capitalized development costs

The Company uses judgement to determine when internally generated development costs is available for intended use and assessing if expenditures meet the criteria for capitalization under IAS 38.

### (viii) Business combinations

On initial recognition, the assets and liabilities of the acquired business and consideration paid for them are included in the statement of financial position at their fair value. In measuring fair value, management uses estimates of future cash flows and discount rates.

### (ix) Contingent consideration

The Company measures the contingent consideration payable in a business combination at the estimated fair value at each reporting date. The fair value is estimated using the Black-Scholes option pricing model, which includes inputs that require management's estimates and assumptions.

## 3. Significant Accounting Policies

These condensed interim financial statements follow the same accounting policies and methods of their application as the Company's December 31, 2020 annual audited financial statements.

## 4. Capital Risk Management

The Company includes equity comprised of share capital, contributed surplus, and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further develop and market platform services, and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants, debt or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended September 30, 2021.

## 5. Comparative Figures

Commissions and production costs were reclassified to Salaries and Consulting expenditures and Technology Development expenditures. Co-location expenditures were reclassified from General and Administrative expenditures to Technology Development expenditures. Net income is not affected by these comparative period reclassifications.



# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
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## 6. Business Combination

On May 21, 2021, the Company completed the acquisition of certain assets and liabilities of Digital Media Services Inc. (“DMS”) and all of its subsidiaries for cash and contingent consideration. DMS is a provider of broadcast advertising and content management solutions located in New York City, United States of America.

As part of the acquisition, the Company acquired DMS’ customer lists and contracts, and working capital, along with a highly skilled team of employees located in the United States.

The purchase price consists of cash consideration of \$3,812,212 and contingent consideration with a fair value of \$2,666,513, resulting in total consideration of \$6,478,725. The contingent consideration consists of additional cash payments to the seller for attainment of specific revenue metrics over a three-year period following the date of the acquisition.

The following table presents the purchase price allocation at the acquisition date:

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Fair value of assets and liabilities recognized:	
Trade receivables	\$ 912,798
Prepaid expenses	31,881
Customer relationships	1,681,303
Brands and trademarks	213,480
Trade payables and accrued liabilities	(190,683)
Fair value of net assets acquired	\$ 2,648,779
Goodwill	\$3,829,946
Total consideration	\$ 6,478,725

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The acquisition has been accounted for as a business combination under the purchase method. The results of the operations of the DMS business since the date of the acquisition have been consolidated in these interim financial statements. Accordingly, the allocation of the purchase price to assets and liabilities is based on the fair value, with the excess of the purchase price over the fair value of the assets acquired being allocated to goodwill.

The goodwill is attributable mainly to the skills and technical talent of DMS’ work force and the synergies expected to be achieved from integrating DMS into the Company’s existing advertising business.

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and nine months ended September 30, 2021 and 2020  
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## 6. Business Combination (continued)

Due to lack of IFRS specific data prior to the acquisition of DMS, pro-forma profit or loss of the combined entity for any periods prior to acquisition cannot be determined reliably. At the time of issuance of these condensed interim financial statements, certain aspects of the valuation are not finalized. As such, the preliminary purchase price allocation is subject to change.

In connection with the DMS acquisition, the Company incurred fees, including legal and professional costs, of \$433,574.

## 7. Property and Equipment

	Office equipment	Computer equipment	Computer software	Right-of-use office property	Leasehold improvements	Total
<b>Cost</b>	\$	\$	\$	\$	\$	\$
Balance, January 1, 2020	34,367	666,837	358,863	487,064	12,117	1,559,248
Additions	2,132	52,132	47,627	-	2,582	104,473
Balance, December 31, 2020	36,499	718,969	406,490	487,064	14,699	1,663,721
Additions	818	126,717	3,106	687,064	15,322	833,027
<b>Balance, September 30, 2021</b>	<b>37,317</b>	<b>845,686</b>	<b>409,596</b>	<b>1,174,128</b>	<b>30,021</b>	<b>2,496,748</b>
<b>Accumulated depreciation</b>						
Balance, January 1, 2020	29,449	582,301	271,965	135,925	5,133	1,024,773
Depreciation expense	2,947	78,576	51,489	135,925	3,260	272,197
Balance, December 31, 2020	32,396	660,877	323,454	271,850	8,393	1,296,970
Depreciation expense	1,717	26,602	40,933	186,430	3,190	258,872
<b>Balance, September 30, 2021</b>	<b>34,113</b>	<b>687,479</b>	<b>364,387</b>	<b>458,280</b>	<b>11,583</b>	<b>1,555,842</b>
<b>Carrying amounts</b>						
December 31, 2020	4,103	58,092	83,036	215,214	6,306	366,751
<b>September 30, 2021</b>	<b>3,204</b>	<b>158,207</b>	<b>45,209</b>	<b>715,848</b>	<b>18,438</b>	<b>940,906</b>

Included in property and equipment are computer equipment and computer software under leases with a cost of \$551,264 (December 31, 2020 - \$551,264). Accumulated depreciation for these assets under leases is \$535,849 (December 31, 2020 - \$526,536).

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and nine months ended September 30, 2021 and 2020  
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## 8. Intangible Assets

	January 1, 2021	Additions	Amortization	September 30, 2021
Brand	\$ -	\$ 213,480	\$ (23,720)	\$ 189,760
Customer relationships	-	1,681,303	(186,811)	1,494,492
Development costs	-	579,491	(66,703)	512,788
Total intangible assets	\$ -	\$ 2,474,274	\$ (277,234)	\$ 2,197,040

During the nine months ended September 30, 2021, the Company capitalized product development costs of \$579,491 (December 31, 2020 - \$nil). Depreciation expense of \$66,703 (2020 - \$nil) was capitalized to development costs during the nine-month ended September 30, 2021. The significant new projects for the nine-month period ended September 30, 2021 consisted of new features in the Awards platform, improvements in the user interface in the Music and Advertising platforms, and significant new enhancements to its core technology infrastructure.

## 9. Goodwill

	September 30, 2021	December 31, 2020
Balance, beginning of period	\$ -	\$ -
Acquisition of DMS (note 6)	3,829,946	-
	\$ 3,829,946	\$ -

## 10. Trade and Other Payables

	September 30, 2021	December 31, 2020
Trade payables	\$ 401,461	\$ 200,655
Accrued expenses	323,779	599,543
	\$ 725,240	\$ 800,198

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and nine months ended September 30, 2021 and 2020  
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## 11. Lease Obligations

The Company has lease obligations until 2022 with purchase options at the end of each lease term. All of these lease agreements have 3-5 year terms at inception and carry a weighted average incremental borrowing rate of 3.25% per annum (2020 – 2.37%).

	Computer Equipment	Software	Property	Total Lease Liability
	\$	\$	\$	\$
Balance at January 1, 2021	35,039	28,503	196,885	260,427
Additions during the period	-	-	687,064	687,064
Principal payments	(17,533)	(15,667)	(168,323)	(201,523)
Balance prior to FX revaluation	17,506	12,836	715,626	745,968
FX revaluation of lease obligations	-	-	38,737	38,737
<b>Balance at September 30, 2021</b>	<b>17,506</b>	<b>12,836</b>	<b>754,363</b>	<b>784,705</b>
Current lease obligation	11,214	12,836	365,386	389,436
Long-term lease obligation	6,292	-	388,977	395,269
<b>Balance at September 30, 2021</b>	<b>17,506</b>	<b>12,836</b>	<b>754,363</b>	<b>784,705</b>
Effective annual rate of interest	2.16%	4.58%	4.45%	3.25%
Amount of interest recognized in statement of net income	425	672	15,608	16,705

## 12. Credit Facility

On May 21, 2021, in conjunction with the acquisition of DMS (see Note 6 – Business Combination), the Company settled its then existing \$1,000,000 revolving credit facility and entered into a credit agreement (the “Credit Facility”) with a tier-1 Canadian financial institution (the “Bank”). The Credit Facility is secured by a first ranking security over all present and future assets and property of the Company.

The Credit Facility includes a new revolving credit facility in the amount of \$1,750,000 and a term loan facility in the amount of \$3,250,000.

### ***Revolving Credit Facility***

The revolving credit facility of \$1,750,000 is available by loan advances and is subject to standard borrowing base calculations and margining against trade accounts receivable. Interest payments are based on the Bank’s prime rate plus 1.95% per annum. As at September 30, 2021, the Company has drawn \$nil of the revolving credit facility.

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
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## 12. Credit Facility (continued)

### *Term Loan Facility*

The term loan facility of \$3,250,000 was fully advanced on May 21, 2021 and was used for the purchase of DMS and for general corporate purposes. The term of the loan is 42 months, amortized over 72 months, and has an initial 6-months interest only payment component. Interest payments are based on the Bank's prime rate plus 2.45%.

	September 30 2021	December 31 2020
Term loan facility	\$3,250,000	\$ -
Less: unamortized deferred financing costs	(141,831)	-
<b>Balance at September 30, 2021</b>	<b>3,108,169</b>	-
Current portion of term loan	483,505	-
Long-term portion of term loan	2,624,664	-
<b>Balance at September 30, 2021</b>	<b>\$3,108,169</b>	\$ -

The Company incurred \$166,065 of transaction fees and has recorded these as deferred financing costs that are being amortized over the expected duration of the term loan facility. During the three and nine-month ended September 30, 2021, \$24,234 of deferred financing fees was amortized.

In accordance with the terms of the Credit Facility, on a rolling four-quarter basis, the Company must maintain a minimum Fixed Charge Coverage Ratio of not less than 1.20:1.00 and an Interest-Bearing Debt to EBITDA ratio of no more than 3 times between closing to December 31, 2021.

As at September 30, 2021 the Company was in compliance with all covenants of the Credit Facility.

## 13. Share Capital

The Company is authorized to issue an unlimited number of common shares.

The following is a summary of changes in common share capital:

	Number of shares	Value
Balance at January 1, 2020	60,833,640	\$ 32,490,832
Share buyback <sup>(a)</sup>	(361,500)	(44,130)
Balance at December 31, 2020	60,472,140	\$ 32,446,702
Exercise of options <sup>(b)</sup>	60,000	13,870
<b>Balance at September 30, 2021</b>	<b>60,532,140</b>	<b>\$ 32,460,572</b>

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and nine months ended September 30, 2021 and 2020  
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## 13. Share Capital (continued)

- (a) On December 20, 2018, the Company announced a normal course issuer bid to purchase and cancel up to a maximum of 3,066,957 common shares representing 5% of the outstanding shares of the Company. As of September 30, 2021, the Company has purchased and cancelled 987,000 shares at a weighted average price of \$0.13 per share through the life of the program. There were no share buybacks during the nine months ended September 30, 2021.
- (b) During the nine months ended September 30, 2021:
- Exercise of 27,000 stock options at a price of \$0.144 per share for gross proceeds of \$3,888. The initial value of \$3,292 related to the options' original issuances was reclassified from contributed surplus to share capital.
  - Exercise of 5,000 stock options at a price of \$0.155 per share for gross proceeds of \$775. The initial value of \$600 related to the options' original issuances was reclassified from contributed surplus to share capital.
  - Exercise of 3,500 stock options at a price of \$0.115 per share for gross proceeds of \$403. The initial value of \$325 related to the options' original issuances was reclassified from contributed surplus to share capital.
  - Exercise of 24,500 stock options at a price of \$0.105 per share for gross proceeds of \$2,572. The initial value of \$2,015 related to the options' original issuances was reclassified from contributed surplus to share capital.

## 14. Share-Based Payments

### Share Option Plan

The Company has a 14% (2020 – 14%) fixed stock option plan (“Amended Plan”), in which the total number of options shall not exceed 8,466,099, which was 14% of the issued and outstanding number of shares as of the date of approval. The Amended Plan was approved at the Company's Annual Meeting of the Shareholders held on June 11, 2020.

### Omnibus Equity Incentive Plan

On June 29, 2021, the Company approved the Omnibus Incentive Plan (the “Omnibus Equity Incentive Plan”) at the Company's Annual General and Special Meeting of the shareholders. Under the Omnibus Equity Incentive Plan, the Company is able to grant equity-based incentive awards in the form of Restricted Share Units (“RSUs”). All future grants of equity-based awards will be made pursuant to the Omnibus Equity Incentive Plan, and no further equity-based awards will be made pursuant to the Company's Stock Option Plan. Each RSU represents a right to receive, once vested, one common share in the capital stock of the Company, subject to the terms and conditions of the Plan.

# YANGAROO Inc.

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## 14. Share-Based Payments (continued)

### Stock Options

The Company had issued stock options to acquire common shares as follows:

	Weighted average price	Outstanding options	Vested options	Weighted average remaining life (years)
Balance at January 1, 2020	\$ 0.167	6,915,000	5,550,000	2.87
Granted	0.114	1,165,000		
Forfeited	0.180	(912,500)		
Expired	0.173	(307,000)		
Balance at December 31, 2020	\$ 0.156	6,860,500	6,188,500	2.58
Forfeited	0.15	(30,500)		
Expired	0.150	(185,000)		
Exercised	0.16	(60,000)		
<b>Balance at September 30, 2021</b>	<b>\$ 0.16</b>	<b>6,585,000</b>	<b>6,564,000</b>	<b>1.89</b>

For the period ended September 30, 2021, the fair value of options granted was \$nil (September 30, 2020 - \$107,495).

The estimated fair value of the options is expensed over the vesting period. The options vest 10% on the date of grant, and the remaining 90% vest as to a third on each 6-month anniversary following the date of grant. The compensation expense and charge to contributed surplus relating to the stock options for the three and nine months ended September 30, 2021 was \$8,012 and \$21,942, respectively (2020 - \$30,048 and \$137,960).

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## 14. Share-Based Payments (continued)

The following table shows the stock options outstanding at September 30, 2021:

Number of options	Number of unvested options	Number of vested options	Exercise price	Expiry date
912,500	-	912,500	\$0.100	January 10, 2022
500,000	-	500,000	\$0.140	May 1, 2022
75,000	-	75,000	\$0.120	August 25, 2022
1,162,500	-	1,162,500	\$0.275	January 8, 2023
2,015,000	-	2,015,000	\$0.155	January 4, 2024
100,000	-	100,000	\$0.150	February 20, 2024
775,000	-	775,000	\$0.120	June 18, 2024
999,500	-	999,500	\$0.115	February 4, 2025
45,500	21,000	24,500	\$0.105	September 15, 2025
<b>6,585,000</b>	<b>21,000</b>	<b>6,564,000</b>	<b>\$0.152</b>	

## Restricted Share Units

The Company may grant Restricted Share Units (“RSUs”) to any participant under the Omnibus Equity Incentive Plan. The RSUs expire and settle by no later than six-months after the date of the grant of the awards.

On August 10, 2021, the Company issued 1,115,000 restricted share units to directors, officers, employees and consultants, of which 600,000 were issued to directors and officers. These restricted share units are expected to be settled through the issuance of 1,115,000 common shares of the Company. These restricted share units vest fully on January 31, 2022. These restricted share units have been fair valued based on the quoted market price on the date of issuance of \$0.23 per common share.

The following table shows the RSUs outstanding as at September 30, 2021:

Number of units	September 30, 2021	December 31, 2020
Balance beginning of the period	-	-
Granted	1,115,000	-
Forfeited	(10,000)	-
Ending Balance	1,105,000	-
Vested	-	-

The Company recorded an expense of \$76,202 (2020 - \$nil) for the three and nine-month periods ended September 30, 2021 with corresponding credits to contributed surplus net of forfeitures related to the share based compensation under the Omnibus Plan.



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Notes to the Condensed Interim Financial Statements (Unaudited)  
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## 15. Basic and Diluted Income per Share

The income and weighted average number of common shares used in the calculation of basic and fully diluted income per share for the nine months ended September 30, 2021 and 2020 were as follows:

	<b>September 30 2021</b>	September 30 2020
<hr/>		
Numerator:		
Net income and comprehensive income for the period	<b>\$ 311,658</b>	\$ 943,408
Denominator:		
Weighted average number of common shares – basic	<b>60,500,794</b>	60,513,669
Adjustments for calculation of diluted income per share:		
Options in the money	<b>2,051,770</b>	1,363,500
Weighted average number of common shares – fully diluted	<b>62,552,564</b>	61,877,169
<hr/>		
<b>Basic income per share</b>	<b>\$ 0.01</b>	\$ 0.02
<b>Fully diluted income per share</b>	<b>\$ 0.00</b>	\$ 0.02

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# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
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## 16. Segmented Information

The Company provides advertising, entertainment and awards management software workflow solutions to customers across multiple geographic regions. It considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker is the Chief Executive Officer of the Company. For revenues, the amounts included are from the originating country.

Below is the breakdown of revenue and long-term assets by operating segment:

<b>For the nine-months ended September 30, 2021</b>	Canada	US	Total
Advertising	\$ 190,243	\$ 3,551,455	\$ 3,741,698
Production	-	541,106	541,106
Entertainment			
Music	479,318	953,159	1,432,477
Awards management	121,814	935,668	1,057,482
	601,132	1,888,827	2,489,959
<b>Total revenue</b>	<b>\$ 791,375</b>	<b>\$ 5,981,388</b>	<b>\$ 6,772,763</b>
<b>Property and equipment, as at September 30, 2021</b>	<b>\$ 253,479</b>	<b>\$ 687,427</b>	<b>\$ 940,906</b>

<b>For the nine months ended September 30, 2020</b>	Canada	US	Total
Advertising	\$ 172,536	\$ 3,371,457	\$ 3,543,993
Entertainment			
Music	508,813	893,549	1,402,362
Awards management	95,920	838,499	934,419
	604,733	1,732,048	2,336,781
<b>Total revenue</b>	<b>\$ 777,269</b>	<b>\$ 5,103,505</b>	<b>\$ 5,880,774</b>
<b>Property and equipment, as at September 30, 2020</b>	<b>\$ 395,665</b>	<b>\$ 3,754</b>	<b>\$ 399,419</b>

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
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## 17. 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 stock option program (note 14).

Key management personnel compensation are as follows for the nine months ended:

	<b>September 30 2021</b>	September 30 2020
Salaries and short-term employee benefits <sup>(i)</sup>	<b>\$ 1,168,940</b>	\$ 1,034,669
Share-based payments	<b>48,398</b>	126,825
	<b>\$ 1,217,338</b>	\$ 1,161,494

(i) Short-term employee benefits include bonuses, vacation pay and commission.

## 18. Salaries & Consulting

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 COVID-19 pandemic had an adverse impact on advertising and entertainment industry which resulted in a negative impact to the Company's revenues since the onset of the COVID-19 pandemic.

For the current period the Company received government assistance funds from the Canadian Federal Government's Canada Emergency Wage Subsidy ("CEWS") and the U.S. Small Business Administration's Payment Protection Program ("PPP"). During the nine-months ended September 30, 2021, the Company recognized government assistance of \$787,789 (2020 - \$850,960).

## 19. Commitments and Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. There were no litigation and claims during the nine-months ended September 30, 2021.