

YANGAROO Inc.

Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 2024 and 2023

(Expressed in US Dollars)

(Unaudited)

November 27, 2024

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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YANGAROO Inc.

Condensed Interim Statements of Financial Position (Unaudited)

(Expressed in United States dollars)

	September 30 2024	December 31 2023
Assets		
Current		
Cash	\$105,906	\$150,928
Accounts receivable (note 4)	1,424,865	1,689,671
Prepaid and sundry assets	206,882	196,367
Contract assets	63,770	69,727
Other receivable	11,459	26,121
	1,812,882	2,132,814
Non-current		
Government assistance receivable	429,977	429,977
Property and equipment and right of use assets (note 5)	421,251	367,291
Intangible assets (note 6)	1,927,826	1,800,673
Goodwill (note 7)	359,146	359,146
	\$4,951,082	\$5,089,901
Liabilities		
Current		
Trade and other payables (note 8)	\$1,078,217	\$1,041,252
Contract liabilities	170,004	159,501
Revolving credit facility (note 10)	851,920	850,597
Current portion of lease obligations (note 9)	132,108	87,797
Current portion of term loan facility (note 10)	1,336,603	1,656,679
Current portion of contingent consideration (note 12)	31,791	95,937
	3,600,643	3,891,763
Non-current		
Lease obligations (note 9)	291,780	205,175
Convertible debenture (note 11)	419,789	410,197
Contingent consideration (note 12)	88,100	88,100
	4,400,312	4,595,235
Equity		
Share capital (note 13)	27,826,282	27,826,282
Share-based payments reserve	5,971,266	5,971,266
Foreign currency translation reserve	1,157,622	1,157,622
Deficit	(34,404,400)	(34,460,504)
	550,770	494,666
	\$4,951,082	\$5,089,901

Commitments and contingencies (note 19)

Approved by the Board of Directors

"H. Shepard Boone"
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 Loss and Comprehensive Loss (Unaudited)

Three and Nine Months Ended September 30, 2024 and 2023

(Expressed in US dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Revenue (note 17)	\$1,942,525	\$1,739,056	\$5,814,845	\$5,756,714
Expenses				
Salaries and consulting (notes 14 & 18)	1,112,425	1,205,432	3,442,297	3,782,962
Marketing and promotion	28,188	30,067	182,062	164,681
General and administrative	192,456	107,464	627,940	495,711
Technology & production	142,998	129,912	520,690	388,847
Depreciation of property and equipment and right of use assets and intangible assets (notes 5 & 6)	117,475	236,710	551,155	679,342
Acquisition Fees	-	-	1,463	
Restructuring expense	-	-	12,182	187,897
	1,593,542	1,709,585	5,337,789	5,699,440
Income/(loss) from operations	348,983	29,471	477,056	57,274
Other income (expenses)				
Interest expense (notes 9, 10 & 11)	(87,848)	(106,526)	(309,246)	(347,716)
Foreign exchange gain/(loss)	(58,039)	58,525	16,386	(41,022)
Revaluation of foreign exchange embedded derivatives (note 11)	(33,519)	(2,214)	(5,270)	(1,694)
	(179,406)	(50,215)	(298,130)	(390,432)
Net income/(loss) before income tax	169,577	(20,744)	178,926	(333,158)
Income tax expense (recovery) (note 16)	-	(11,907)	122,822	3,993
Net income/(loss) and comprehensive income/(loss)	\$169,577	\$(8,837)	\$56,104	\$(337,151)
Basic income (loss) per share (note 15)	\$0.00	\$(0.00)	\$0.00	\$(0.01)
Diluted income (loss) per share (note 15)	\$0.00	\$(0.00)	\$0.00	\$(0.01)

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, 2024 and 2023

(Expressed in US dollars)

	Number Of Shares	Share Capital	Share- Based Payments Reserve	Foreign Currency Translation Reserve	Deficit	Total
Balance at December 31, 2022	62,437,140	\$27,826,282	\$5,971,266	\$1,157,622	\$(30,323,779)	\$4,631,391
Net loss for the period	-	-	-	-	(337,151)	(337,151)
Balance at September 30, 2023	62,437,140	\$27,826,282	\$5,971,266	\$ 1,157,622	\$(30,660,930)	\$4,294,240
Balance at December 31, 2023	62,437,140	\$27,826,282	\$5,971,266	\$1,157,622	\$(34,460,504)	\$494,666
Net income for the period	-	-	-	-	56,104	56,104
Balance at September 30, 2024	62,437,140	\$27,826,282	\$5,971,266	\$ 1,157,622	\$(34,404,400)	\$550,770

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, 2024 and 2023

(Expressed in US dollars)

	Nine Months Ended September 30	
	2024	2023
Cash flow from (used in) operating activities		
Net income/(loss) for the period	\$56,104	\$(337,151)
Items not affecting cash:		
Depreciation of property and equipment and amortization of intangible assets (note 5 and 6)	551,155	679,342
Amortization of deferred financing costs	46,591	56,659
Interest expense on convertible debentures	1,343	10,010
Estimated credit losses/(recovery) (note 4)	22,913	(113,498)
Revaluation of foreign exchange embedded derivatives (note 11)	5,270	1,694
Changes in non-cash operating working capital:		
Accounts receivable	241,892	381,828
Prepaid and sundry assets	(10,515)	182,056
Other account receivable	14,662	-
Contract assets	5,957	46,946
Government assistance receivable	-	108,042
Trade and other payables	36,964	(80,939)
Contract liabilities	10,502	61,984
Net cash from (used in) operating activities	982,838	996,973
Cash flow used in investing activities		
Acquisition of property and equipment (note 5)	(1,077)	(18,984)
Additions to product development assets (note 6)	(496,539)	(434,249)
Net cash used in investing activities	(497,616)	(453,233)
Cash flow from (used in) financing activities		
Payment of lease obligations (note 9)	(103,733)	(205,305)
Repayment of term loan	(363,688)	(108,432)
Payment of contingent liabilities	(64,146)	-
Proceeds/(payment) to line of credit (note 10)	1,323	(271,756)
Net cash from (used in) financing activities	(530,244)	(585,493)
Net (decrease) in cash	(45,022)	(41,753)
Effect of foreign exchange on cash	-	7
Cash and cash equivalents, beginning of period	150,928	296,748
Cash and cash equivalents, end of period	\$105,906	\$255,002
Cash interest paid	\$267,785	\$347,845

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, 2024 and 2023
(Expressed in US dollars, unless otherwise noted)

1. Nature of Operations

YANGAROO Inc. ("YANGAROO" or "the Company") is a software company that is the provider of workflow management solutions within the media and entertainment ecosystem. The Company's Digital Media Distribution System (DMDS) platform is a patented cloud-based technology that provides customers with a fully integrated workflow and broadcaster connected managed network for digital content delivery and related data management across the advertising, music, and entertainment award show markets.

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 OTCPK: YOOIF.

The address of the Company's corporate office and principal place of business is 360 Dufferin Street, Suite 203, Toronto, Ontario, M6K 3G1.

2. Basis of Preparation

(a) Basis of compliance

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 judgement 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, 2023.

These condensed interim financial statements were authorized for issue by the Board of Directors on November 25, 2024.

(b) Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis except certain financial instruments measured at fair value.

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

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of these condensed interim financial statements and the reported amounts of revenues and expenditures during the periods reported.

The most significant judgements and estimates made by management in preparing the Company's condensed interim financial statements are described as follows:

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Notes to the Condensed Interim Financial Statements (Unaudited)
For the three and nine months ended September 30, 2024 and 2023
(Expressed in US dollars, unless otherwise noted)

(i) Share-based payments

Share-based payments which include stock options and RSUs 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 judgement to determine whether these performance obligations are capable of being 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 judgement to determine if revenue is recognized at a point in time or over time.

(iii) Investment tax credits

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

(iv) 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"). The Company applies judgement to evaluate each receivable at year end using factors such as age of receivable, payment history and credit risk.

(v) Capitalized development costs

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

(vi) 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 a Black-Scholes probability weighted approach, which includes inputs that require management's estimates and assumptions. The Company applies judgement at every reporting period to revalue the contingent consideration based on the revenue history of the related DMS customers.

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, 2023 annual audited financial statements.

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Notes to the Condensed Interim Financial Statements (Unaudited)
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(Expressed in US dollars, unless otherwise noted)

4. Risk Management

Capital Risk Management

The Company includes equity comprised of share capital, share-based payments reserve, foreign currency translation reserve and deficit, in the definition of capital. As at September 30, 2024, the amount of equity was \$550,770 (December 31, 2023 - \$494,666). 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 has covenants in relation to the Term Loan facility (see note 10) during the nine months ended September 30, 2024.

Financial Instruments and Risk Management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Market risk:

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk is comprised of three types of risk such as foreign currency risk, interest rate risk and commodity risk. Two types of risk are applicable to the Company:

(i) Currency risk:

The Company operates internationally, and the US dollar ("USD") is the presentation currency. The Company, however, does have revenues, expenses, assets, and liabilities denominated in currencies other than USD, primarily Canadian dollar ("CAD"). The principal foreign currency risk as at September 30, 2024 is the CAD at \$0.7408 USD: \$1 CAD. A 5% change in exchange rates would result in a \$149,989 impact on profit or loss. Balances in foreign currencies at September 30, 2024 are as follows:

	USD
Cash	\$35,663
Accounts receivable	199,195
Trade and other payables	412,279
Line of credit	851,920
Convertible debentures	419,789
Term loan	1,336,603
Capital lease obligation	214,047

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(ii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions and potential increases on the prime rate applied on the line of credit available to the Company. The Company's term loan is a floating interest rate facility. A 5% increase in the floating rate would result in a \$9,390 impact on profit or loss.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consists primarily of non-payment of accounts receivable.

The Company mitigates this risk by monitoring the creditworthiness of its customers and by offering the platform service to numerous smaller customers. As at and during the nine months ended September 30, 2024, approximately 15% (September 30, 2023 - 18%) of accounts receivable and 19% (September 30, 2023 - 24%) of revenue are from two customers, respectively.

The definition of items that are past due is determined by reference to payment terms agreed to with individual customers, which are normally within 30 to 60 days.

Aging of trade receivables that are past due, but not impaired are as follows:

	September 30 2024	December 31 2023
0 to 30 days past due	\$774,683	\$1,071,374
31 to 60 days	183,927	238,260
Over 60 days	466,255	377,709
Total past due	\$1,424,865	\$1,687,343

Continuity of expected credit losses:

	September 30 2024	December 31 2023
Balance, beginning of period	\$179,684	\$214,170
Estimated credit losses during the period	34,862	144,777
Net remeasurement of loss allowance	(11,948)	(179,263)
Balance, end of period	\$202,598	\$179,684

The Company's estimated credit losses as at September 30, 2024 is \$202,598 (December 31, 2023 - \$179,684) to address any anticipated collectability issues based on payment history and the expected credit loss of each customer.

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Notes to the Condensed Interim Financial Statements (Unaudited)
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(Expressed in US dollars, unless otherwise noted)

(c) Liquidity risk:

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 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 expenditure budgets, which are regularly monitored and updated as considered necessary.

The Company manages liquidity risk on the basis of expected maturity dates.

The following tables analyze financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

	Lease Obligations	Contract Liabilities	Term Loan Facility	Trade & Other Payables	Revolving Credit Facility	Convertible Debt	Total
< 1 year	\$132,108	\$170,003	\$1,336,603	\$1,078,217	\$851,290	-	\$3,568,851
1- 3 years	\$291,781	-	-	-	-	\$419,789	\$711,570
Balance at September 30, 2024	\$423,889	\$170,003	\$1,336,603	\$1,078,217	\$851,290	\$419,789	\$4,280,421

	Lease Obligations	Contract Liabilities	Term Loan Facility	Trade & Other Payables	Revolving Credit Facility	Convertible Debt	Total
< 1 year	\$87,797	\$159,501	\$1,656,679	\$1,041,251	\$850,597	-	\$3,795,825
1- 3 years	\$205,175	-	-	-	-	\$410,197	\$615,372
Balance at December 31, 2023	\$292,972	\$159,501	\$1,656,679	\$1,041,251	\$850,597	\$410,197	\$4,411,197

The Company currently expects to pay all liabilities at their contractual maturity. To meet these cash commitments, the Company anticipates generating sufficient cash inflows from operating activities and raising equity capital or obtaining the necessary financing to meet current and future obligations. Additionally, the Company utilizes a revolving credit facility to provide cash on an as-needed basis.

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Notes to the Condensed Interim Financial Statements (Unaudited)
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(Expressed in US dollars, unless otherwise noted)

5. Property and Equipment and Right of Use Assets

	Office Equipment	Computer Equipment	Computer Software	Right Of Use Office Property	Leasehold Improvements	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, January 1, 2023	32,502	726,797	416,087	1,265,660	45,619	2,486,665
Additions	3,078	21,610	20,532	-	-	45,220
Balance, December 31, 2023	35,580	748,407	436,619	1,265,660	45,619	2,531,885
Additions	-	1,077	-	234,650	-	235,727
Balance, September 30, 2024	35,580	749,484	436,619	1,500,310	45,619	2,767,612
Accumulated depreciation						
Balance, January 1, 2023	30,222	653,663	355,006	745,699	16,769	1,801,359
Depreciation expense	1,078	57,314	32,797	264,931	7,114	363,235
Balance, December 31, 2023	31,300	710,977	387,803	1,010,630	23,883	2,164,593
Depreciation expense	969	22,169	46,326	106,968	5,336	181,768
Balance, September 30, 2024	32,269	733,146	434,129	1,117,598	29,219	2,346,361
Carrying amounts						
December 31, 2023	4,280	37,430	48,816	255,030	21,736	367,292
September 30, 2024	3,311	16,338	2,490	382,712	16,340	421,251

Included in property and equipment are computer equipment under leases with a carrying value of \$8,905 (December 31, 2023 - \$15,239).

YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)
For the three and nine months ended September 30, 2024 and 2023
(Expressed in US dollars, unless otherwise noted)

6. Intangible Assets

	Brand	Customer Relationships	Development Costs	Total
Cost	\$	\$	\$	\$
Balance, January 1, 2023	62,000	969,000	1,249,537	2,280,537
Additions	8,000	129,000	563,756	700,756
Balance, December 31, 2023	70,000	1,098,000	1,813,293	2,981,293
Additions	-	-	496,539	496,539
Balance, September 30, 2024	70,000	1,098,000	2,309,832	3,477,832
Accumulated amortization				
Balance, January 1, 2023	32,724	511,417	78,842	622,983
Amortization expense	21,109	330,166	206,362	557,637
Balance, December 31, 2023	53,833	841,583	285,204	1,180,620
Amortization expense	10,611	199,084	159,691	369,386
Balance, September 30, 2024	64,444	1,040,667	444,895	1,550,006
Carrying amounts				
December 31, 2023	16,167	256,417	1,528,089	1,800,673
September 30, 2024	5,556	57,333	1,864,937	1,927,826

During the nine months ended September 30, 2024, the Company capitalized product development costs of \$496,539 (September 30, 2023 - \$434,249). Amortization expense of \$159,691 (September 30, 2023 - \$148,916) was capitalized to development costs during the nine months ended September 30, 2024. The significant new projects for the nine months ended September 30, 2024 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.

7. Goodwill

	September 30, 2024	December 31, 2023
Balance, beginning of period	\$359,146	\$359,146
Acquisitions	-	-
Balance, ending of period	\$359,146	\$359,146

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For the three and nine months ended September 30, 2024 and 2023
(Expressed in US dollars, unless otherwise noted)

8. Trade and Other Payables

	September 30, 2024	December 31, 2023
Trade payables	\$837,456	\$784,831
Accrued interest payable	46,447	4,789
Accrued liabilities	194,314	251,632
	\$1,078,217	\$1,041,252

During the nine months ended September 30, 2024, the company incurred \$12,182 (September 30, 2023 - \$187,897) of restructuring expense relating to employee severance.

9. Lease Obligations

The Company has lease obligations until 2028 with purchase options at the end of each lease term. All of these lease agreements had 3-5 year terms at inception and carry a weighted average incremental borrowing rate of 4.6% per annum (2023 – 4.6%).

	Computer Equipment	Property	Total Lease Liability
	\$	\$	\$
Balance at January 1, 2024	18,081	274,891	292,972
Additions during the period	-	234,650	234,650
Principal payments	(5,389)	(98,345)	(103,734)
Balance at September 30, 2024	12,692	411,196	423,888
Current lease obligation	6,764	125,344	132,108
Long-term lease obligation	5,928	285,852	291,780
Balance at September 30, 2024	12,692	411,196	423,888
Effective annual rate of interest	6.49%	4.45%	4.60%
Amount of interest recognized in profit or loss	995	16,238	17,233

10. Term Loan Facility and Credit Facility

The Company has 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 revolving credit facility in the amount of CAD \$1,750,000 and a term loan facility with an initial principal balance of CAD \$3,250,000.

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Notes to the Condensed Interim Financial Statements (Unaudited)
For the three and nine months ended September 30, 2024 and 2023
(Expressed in US dollars, unless otherwise noted)

Revolving Credit Facility

The revolving credit facility of USD \$1,296,400 (CAD \$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, 2024, the Company has drawn \$851,920 (September 30, 2023 - \$573,226) of the revolving credit facility.

Term Loan Facility

The term loan facility of CAD \$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 had an initial 6-months interest only payment component. Interest payments are based on the Bank's prime rate plus 4.45%. The term loan facility is secured by the assets of the Company.

On August 21, 2024, the Bank entered into the third amendment agreement with the Company such that the Company will be in good standing with the modified covenants related to the term loan facility. The Company incurred CAD \$10,000 of amendment fees and has recorded these as deferred financing cost that are being amortized over the expected duration of the term loan facility. The amendment extended the term loan maturity date to June 26, 2025 and the Company must maintain a minimum Fixed Charge Coverage Ratio and Interest-Bearing Debt to EBITDA ratio which shall not be tested until September 30, 2025. The Company must maintain a minimum EBITDA targets for the three months ended June 30, 2024 and each of quarterly periods until June 30, 2025. The Company was in compliance with the financial covenants pursuant to the third amendment agreement of the term loan facility as of September 30, 2024.

During the nine months ended September 30, 2024, \$43,612 (September 30, 2023, \$56,659) of deferred financing fees were amortized. Under IFRS, the Company determined the amendment to be a modification of the loan. No gain or loss on modification of the loan was recorded for 2024.

	September 30, 2024	December 31, 2023
Term loan facility	\$1,386,194	\$1,749,882
Less: unamortized deferred financing costs	(49,591)	(93,203)
Balance, ending of period	1,336,603	1,656,679
Current portion of term loan	1,336,603	1,656,679
Long-term portion of term loan	-	-
Balance, ending of period	\$1,336,603	\$1,656,679
Revolving credit facility balance, ending of period	\$851,920	\$850,597

11. Convertible Debentures

The Company has an unsecured, convertible debentures ("the Debentures") for gross proceeds of CAD \$500,000. The Debentures will mature on November 30, 2027 and each CAD \$1,000 Debenture will bear interest at a simple rate of Bank's prime plus 8.00% per annum (subject to increase to Bank's prime plus 10.00% per annum in the

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event of certain defaults). On August 21, 2024, the holders of the Debentures were required to exercise a Subordination and Postponement Agreement in favour of the Credit Facility. During the term of the Subordination and Postponement Agreement, no payments to the holders of the Debentures in the form of cash will be permitted including payments of interest. The holders of the Debentures will be entitled to convert the principal amount of the Debentures at any time on or prior to the maturity date into common shares of the Company at a conversion price of \$0.10. As of September 30, 2024, the Company had not paid the required semi-annual interest payment, which would otherwise constitute a default (but not event of default) pursuant to the terms of the Debentures; however, the holders of the Debentures have agreed to waive their right to receive interest payments while the Subordination Agreements remain in effect. As certain directors of the Company participated in the Debenture financing, the Debenture is considered a “related party” transaction. See note 16 - Related Party Transactions.

In connection with the Debentures, the Company paid legal fees of \$17,309. During the nine months ended September 30, 2024, \$2,979 (September 30, 2023 - \$2,996) of deferred financing fees were amortized.

For accounting purposes, the debenture has been separated into a host debt liability and an embedded derivative liability component. The fair value of the derivative is calculated using a Black Scholes option model and revalued at every period through profit or loss, with the residual being allocated as the host debt liability component. The host debt will be measured subsequently at amortized cost using the effective interest rate method.

	Value
Balance as of December 31, 2023	\$410,197
Fair value loss (gain) on revaluation of embedded derivative liability	5,270
Accretion of convertible debentures	43,098
Interest accrued	(41,755)
Amortization of issuance costs	2,979
Balance as of September 30, 2024	\$419,789

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12. Contingent Consideration

As part of the Millenia3 acquisition, the Company incurred the contingent consideration, consisting of additional cash payments as a result of the following:

(a) Fiscal 2023

- (i) 5% of revenues if revenues for the months of November and December 2023 combined are less than \$166,667; or
- (ii) 10% of revenues if revenues for the months of November and December 2023 combined are at least \$166,667 and less than \$250,000; or
- (iii) 15% of revenues if revenues for the months of November and December 2023 combined are at least \$250,000

(b) Fiscal 2024 and 2025

- (iv) 5% of revenues if revenues for the applicable 12-month period are less than \$1,000,000;
- (v) 10% of revenues if revenues for the applicable 12-month period are at least \$1,000,000 and less than \$1,500,000; or
- (vi) 15% of revenues if revenues for the applicable 12-month period are at least \$1,500,000

Measurement periods: Annual periods ending on the 1st, 2nd, and 3rd of December 31, 2023.

During the nine months ending September 30, 2024, the Company paid \$64,146 to the seller of Millenia3 with respect to the earnout payment.

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 December 31, 2023	62,437,140	\$27,826,282
Balance at September 30, 2024	62,437,140	\$27,826,282

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14. Share-Based Payments

Stock Options

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

	Weighted Average Price (CAD)	Outstanding Options	Vested Options	Weighted Average Remaining Life (Years)
Balance at December 31, 2023	\$0.14	2,203,000	2,203,000	0.36
Expired	0.15	(1,665,000)	(1,665,000)	
Balance at September 30, 2024	\$0.11	538,000	538,000	0.39

No stock options were issued for the nine months ended September 30, 2024 (September 30, 2023 - nil).

The following table shows the stock options outstanding at September 30, 2024:

Number of Options	Number of Unvested Options	Number of Vested Options	Exercise Price (CAD)	Expiry Date
503,000	-	503,000	\$0.12	February 4, 2025
35,000	-	35,000	\$0.11	September 15, 2025
538,000	-	538,000	\$0.11	

Restricted Share Units

The Company may grant Restricted Share Units ("RSUs") to any participant under the Omnibus Equity Incentive Plan.

The fair value of Restricted Stock units is based on the closing price of the common shares of the Company on the trading day immediately preceding the date of the award and are recognized over the vesting period.

No RSUs were issued for the nine months ended September 30, 2024 (September 30, 2023 - nil).

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15. Basic and Diluted Income (Loss) per Share

The income (loss) and weighted average number of common shares used in the calculation of basic and fully diluted income (loss) per share for the nine months ended September 30, 2024 and 2023 were as follows:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Numerator				
Net income (loss)	\$169,577	\$(8,837)	\$56,104	\$(337,151)
Denominator				
Weighted average number of common shares – basic	62,437,140	62,437,140	62,437,140	62,437,140
Adjustments for calculation of diluted income per share				
Options in the money	-	-	-	-
Weighted average number of common shares – fully diluted	62,437,140	62,437,140	62,437,140	62,437,140
Basic income (loss) per share	\$0.00	\$(0.00)	\$0.00	\$(0.01)
Fully diluted income (loss) per share	\$0.00	\$(0.00)	\$0.00	\$(0.01)

16. Income Taxes

The Company's income tax expense (recovery) for the nine months ended September 30, 2024 and September 30, 2023 comprises the following:

	September 30, 2024	September 30, 2023
Current income tax expense	\$122,822	\$3,993
Income tax expense	\$122,822	\$3,993

In July 2024, the Company received correspondence from Canada Revenue Agency ("CRA") regarding the completion of the audit of the Company's Scientific Research and Experimental Development ("SRED") made by the Company during the year ended December 31, 2022, which notified the Company of claims made by the Company in excess of the amounts in which the Company was entitled. As a result, \$115,797 was recorded as current income tax expense for the nine months ended September 30, 2024.

During the three months ended September 30, 2024, the Company paid \$50,043 to CRA.

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17. Segmented Information

The Company has only one reportable segment and 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, long-term assets, and payables by operating segment:

For the nine months ended September 30, 2024	Canada	US	Total
Advertising	\$243,469	\$4,007,900	\$4,251,369
Music	326,477	547,759	874,236
Awards management	70,077	619,163	689,240
Total revenue	\$640,023	\$5,174,822	\$5,814,845
Property and equipment	\$201,412	\$219,839	\$421,251
Intangible assets	\$1,864,937	\$62,889	\$1,927,826
Goodwill	-	\$359,146	\$359,146
Trade and other payables	\$412,768	\$665,449	\$1,078,217

For the nine months ended September 30, 2023	Canada	US	Total
Advertising	\$249,595	\$3,795,115	\$4,040,710
Music	356,269	560,977	917,246
Awards management	86,748	712,010	798,758
Total revenue	\$692,612	\$5,064,102	\$5,756,714
Property and equipment	\$319,565	\$127,819	\$447,384
Intangible assets	\$1,456,028	\$229,114	\$1,685,142
Goodwill	-	\$3,845,576	\$3,845,576
Trade and other payables	\$134,087	\$664,395	\$798,482

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18. 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 Omnibus Incentive Plan.

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

	September 30, 2024	September 30, 2023
Salaries and short-term employee benefits ⁽ⁱ⁾	\$534,736	\$514,281
Share based payments	-	-
	\$534,736	\$514,281

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

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 material litigation and claims against the company as at and during the nine months ended September 30, 2024.

20. Events After Reporting Period

On November 13, 2024, the Company announced the resignation of Frank Guo, the Company's Chief Financial Officer, effectively November 30, 2024.