

# **YANGAROO Inc.**

Condensed Interim Financial Statements

For the Three and Six Months Ended June 30, 2025 and 2024

(Expressed in US Dollars)

(Unaudited)

August 20, 2025

## 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 ("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 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.

# YANGAROO Inc.

## Condensed Consolidated Interim Statements of Financial Position (Unaudited)

(Expressed in United States dollars)

	June 30 2025	December 31 2024
<b>Assets</b>		
<b>Current</b>		
Cash	\$271,234	\$231,083
Accounts Receivable (note 4)	1,241,399	1,496,475
Prepaid and Sundry Assets	132,343	126,595
Contract Assets	30,242	58,985
Other Receivable	10,321	10,321
	<b>1,685,539</b>	<b>1,923,459</b>
<b>Non-current</b>		
Property and Equipment and Right of Use Assets (note 5)	372,630	449,159
Intangible Assets (note 6)	1,895,427	1,938,212
Goodwill (note 7)	359,146	359,146
Government Assistance Receivable	429,977	429,977
	<b>\$4,742,719</b>	<b>\$5,099,953</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and Other Payables (note 8)	\$1,000,525	\$1,138,063
Contract Liabilities	57,606	87,738
Current Portion of Lease Obligations (note 9)	157,053	144,139
Term Loan Facility (note 10)	1,051,639	1,159,680
Revolving Credit Facility (note 10)	897,925	729,750
Convertible Debenture (note 11)	596,030	417,484
Contingent Consideration (note 12)	65,648	88,100
	<b>3,826,426</b>	<b>3,764,954</b>
<b>Non-current</b>		
Lease Obligations (note 9)	240,300	303,920
	<b>4,066,726</b>	<b>4,068,874</b>
<b>Equity</b>		
Share Capital (note 13)	27,859,739	27,826,282
Share-Based Payments Reserve	5,992,699	5,971,266
Foreign Currency Translation Reserve	1,157,622	1,157,622
Deficit	(34,334,067)	(33,924,091)
	<b>675,993</b>	<b>1,031,079</b>
	<b>\$4,742,719</b>	<b>\$5,099,953</b>

Going concern (note 2(b))

### Approved by the Board of Directors

"H. Shepard Boone"  
Director

"Phil Benson"  
Director

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

# YANGAROO Inc.

## Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss (Unaudited)

Three and Six Months Ended June 30, 2025 and 2024

(Expressed in US dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
<b>Revenue (note 16)</b>	<b>\$1,651,441</b>	\$1,949,689	<b>\$3,433,499</b>	\$3,872,319
<b>Expenses</b>				
Salaries and Consulting (notes 14 & 17)	1,055,762	1,144,470	2,171,721	2,329,870
Depreciation of Property and Equipment, Right of Use Assets and Intangible Assets (notes 5 & 6)	228,835	213,467	444,719	433,679
General and Administrative	208,663	239,156	426,308	435,483
Technology and Production	128,330	155,088	280,828	377,693
Marketing and Promotion	48,628	73,159	104,176	153,874
Restructuring Expense	-	12,182	-	12,182
Acquisition Fees	-	1,463	-	1,463
	<b>1,670,218</b>	1,838,985	<b>3,427,752</b>	3,744,244
<b>Income (Loss) from Operations</b>	<b>(18,777)</b>	110,704	<b>5,747</b>	128,075
<b>Other Income (Expenses)</b>				
Acquisition Related Settlement Gain (note 19)	60,000	-	60,000	-
Interest Income	374	-	374	-
Interest Expense	(109,087)	(102,420)	(179,698)	(221,397)
Foreign Exchange Gain/(Loss)	(136,877)	(15,847)	(172,422)	74,429
Revaluation of Foreign Exchange Embedded Derivatives (note 11)	(70,130)	(596)	(116,397)	28,249
	<b>(255,720)</b>	(118,863)	<b>(408,143)</b>	(118,719)
<b>Net Income (Loss) before Income Tax</b>	<b>(274,497)</b>	(8,159)	<b>(402,396)</b>	9,356
Income Tax Expense	6,671	120,872	7,580	122,822
<b>Net Loss and Comprehensive Loss</b>	<b>\$(281,168)</b>	\$(129,031)	<b>\$(409,976)</b>	\$(113,466)
<b>Basic Income (Loss) per Share (note 15)</b>	<b>\$(0.00)</b>	\$(0.00)	<b>\$(0.01)</b>	\$(0.00)
<b>Diluted Income (Loss) per Share (note 15)</b>	<b>\$(0.00)</b>	\$(0.00)	<b>\$(0.01)</b>	\$(0.00)

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

# YANGAROO Inc.

## Condensed Consolidated Interim Statements of Changes in Equity (Unaudited)

Six months ended June 30, 2025 and 2024

(Expressed in US dollars)

	Number Of Shares	Share Capital	Share-Based Payments Reserve	Foreign Currency Translation Reserve	Deficit	Total
Balance at December 31, 2023	62,437,140	\$27,826,282	\$5,971,266	\$1,157,622	\$(34,460,504)	\$494,666
Net and Comprehensive loss for the Period	-	-	-	-	(113,466)	(113,466)
<b>Balance at June 30, 2024</b>	<b>62,437,140</b>	<b>\$27,826,282</b>	<b>\$5,971,266</b>	<b>\$ 1,157,622</b>	<b>\$(34,573,970)</b>	<b>\$381,200</b>
Balance at December 31, 2024	62,437,140	\$27,826,282	\$5,971,266	\$1,157,622	\$(33,924,091)	\$1,031,079
Share Based Compensation	-	-	34,693	-	-	34,693
Exercise of Stock Options	500,000	26,988	(13,260)	-	-	13,728
Issuance of Shares	200,350	6,469	-	-	-	6,469
Net and Comprehensive loss for the Period	-	-	-	-	(409,976)	(409,976)
<b>Balance at June 30, 2025</b>	<b>63,137,490</b>	<b>27,859,739</b>	<b>5,992,699</b>	<b>1,157,622</b>	<b>(34,334,067)</b>	<b>675,993</b>

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

# YANGAROO Inc.

## Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

Six months ended June 30, 2025 and 2024

(Expressed in US dollars)

	Six Months Ended June 30	
	2025	2024
<b>Cash Flow From Operating Activities</b>		
Net Loss for the Period	\$(409,976)	\$(113,466)
<b>Items Not Affecting Cash:</b>		
Depreciation of Property and Equipment, Right of Use Assets, and Intangible Assets (notes 5 and 6)	444,719	433,679
Share-Based Payments (note 14)	34,693	-
Loss Allowance (note 4)	15,000	4
Accrued Interest and Accretion	98,104	19,859
Remeasurement of Embedded Derivative Liability (note 11)	123,477	(28,249)
<b>Changes in Non-Cash Operating Working Capital:</b>		
Accounts Receivable	240,076	(32,450)
Prepaid and Sundry Assets	(5,748)	44,946
Contract Assets	28,743	25,061
Other Receivables	-	12,562
Trade and Other Payables	(137,540)	64,435
Contract Liabilities	(30,132)	98,706
<b>Net Cash from Operating Activities</b>	<b>401,416</b>	<b>525,087</b>
<b>Cash Flow Used in Investing Activities</b>		
Acquisition of Property and Equipment (note 5)	(6,629)	(1,076)
Expenditures on Software Development Assets (note 6)	(311,660)	(343,201)
<b>Net Cash Used in Investing Activities</b>	<b>(318,289)</b>	<b>(344,277)</b>
<b>Cash Flow Used in Financing Activities</b>		
Payment of Lease Obligations (note 9)	(57,820)	(76,326)
Principal Repayment of Term Loan	(151,076)	(258,065)
Proceeds of Revolving Credit Facility (note 10)	168,175	135,713
Payment of Contingent Consideration	(22,452)	(46,942)
Issuance of Common Shares (note 13)	6,469	-
Exercise of Stock Options (note 14)	13,728	-
<b>Net Cash Used in Financing Activities</b>	<b>(42,976)</b>	<b>(245,620)</b>
Net Increase (Decrease) in Cash	40,151	(64,810)
Cash, Beginning of Period	231,083	150,928
<b>Cash, End of Period</b>	<b>\$271,234</b>	<b>\$86,118</b>
<b>Supplemental Cash Flow Information:</b>		
Cash Interest Paid	\$94,891	\$193,992
Taxes Paid	\$7,580	\$9,680
Capitalized Software Development Included in Trade and Other Payables	\$15,309	\$15,210
Right of Use Assets Acquired via Lease Obligation	\$7,114	\$234,650

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

# YANGAROO Inc.

Notes to the Interim Financial Statements (Unaudited)  
For the three and six months ended June 30, 2025 and 2024  
(Expressed in US dollars, unless otherwise noted)

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## 1. Nature of Operations

YANGAROO Inc. ("YANGAROO" or "the Company") is a software company that provides 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.V 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 1Z8.

## 2. Basis of Preparation

### (a) Basis of Compliance

These unaudited interim financial statements ("interim financial statements") are in compliance with International Accounting Standard (IAS) 34, Interim Financial Reporting. Accordingly, certain information and footnote disclosures normally included in the 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 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 interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2024.

These interim financial statements were authorized for issue by the Board of Directors on August 20, 2025.

### (b) Basis of Measurement

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

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

The financial statements were prepared on a going concern basis, which assumes that YANGAROO will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company generated net and comprehensive loss of \$409,976 and positive cash flows from operations of \$401,416 for the six months ended June 30, 2025, and has a working capital deficit of \$2,140,887 as at June 30, 2025. The Company's ability to continue as a going concern is dependent upon the Company's ability to successfully refinance the term loan of \$1,051,639, which matured on June 26, 2025. The Company is currently in discussion with the financial institution to extend the loan and is expecting a forthcoming 12-month extension. The Company is also looking to repay the term loan through equity financing, debt financing, or rights offerings from existing shareholders. There is no assurance that the Company will successfully raise sufficient funds through equity financing. As a result of these conditions, there is material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. These financial statements do not reflect the adjustments that

# YANGAROO Inc.

Notes to the Interim Financial Statements (Unaudited)  
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might be necessary to the carrying amount of reported assets, liabilities, revenue, and expenses and the statement of financial position classification used if the Company was unable to continue operations in accordance with this assumption. Such adjustments could be material.

## ***(c) Significant Accounting Judgements and Sources of Estimation Uncertainty***

The preparation of these 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 interim financial statements and the reported amounts of revenues and expenditures during the period reported.

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

### *Judgements:*

#### **(i) 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.

#### **(ii) 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.

#### **(iii) Collectability of Accounts Receivable**

The Company applies judgement to measure estimated credit loss 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 based on factors such as the age of the receivable, payment risk, and credit risk.

#### **(iv) Share-Based Payments**

Share-based payments which include stock options and Restricted Share Units ("RSU") 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. Stock options are valued using the Black-Scholes option pricing model, which includes inputs that require management's estimates and assumptions, and judgement with respect to the expected forfeiture rate.

#### **(v) Capitalized Software Development Costs**

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

#### **(vi) Functional and Presentation Currency**

These financial statements are presented in US dollars, which is the functional currency of the Company. Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency using the exchange rate at the date that the fair value was determined. Revenues and expenses are measured using the actual exchange rates prevailing on the dates of the



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transactions. Gains and losses resulting from re-measurement are recorded in the Company's profit or loss as Foreign exchange (loss) gain.

## *Estimates:*

### (i) 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.

### (ii) 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 probability weighted approach, which includes inputs that require management's estimates and assumptions. The Company applies judgement annually at every anniversary of the acquisition to remeasure the contingent consideration based on the revenue history of the related Millenia3 customers.

## **3. Significant Accounting Policies**

These interim financial statements follow the same accounting policies and methods of their application as the Company's December 31, 2024, annual audited financial statements.

## **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 June 30, 2025, the amount of equity was \$675,993 (December 31, 2024 - \$1,031,079). 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 Credit Facility (see note 10). During the three and six months ended June 30, 2025, the Company was not in compliance with the covenants, but there is an ongoing discussion with the bank to waive the covenant reporting and further extend the loan for 12 months after June 26, 2025, the current maturity date of the Term Loan facility.

### **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, interest rate risk, and other price 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. The Company's exposure to financial instrument related risks and the methods used to manage those risks have not changed significantly over the last year.

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Notes to the Interim Financial Statements (Unaudited)  
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## (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 other price 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 the Canadian dollar ("CAD"). The principal foreign currency risk as at June 30, 2025, is therefore the CAD.

A 5% change in exchange rates would result in a \$150,316 impact on profit or loss. Financial instruments and lease obligations in CAD currency at June 30, 2025, are as follows:

	USD
Cash	\$25,954
Accounts Receivable	173,501
Prepaid and Sundry Assets	72,861
Contract Assets	5,742
<b>Total Assets</b>	<b>\$278,058</b>
Trade and Other Payables	\$484,334
Revolving Credit Facility	897,925
Convertible Debentures	596,030
Term Loan	1,051,639
Capital Lease Obligation	239,953
Contract Liabilities	14,500
<b>Total Liabilities</b>	<b>\$3,284,381</b>
<b>Net Liability Exposure</b>	<b>\$3,006,323</b>

### (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 revolving credit facility available to the Company. The Company's revolving credit facility, term loan and convertible debt are floating interest rate facilities. A 100 bps or 1% increase in the floating rate would result in a \$25,456 impact on profit or loss assuming all other factors are kept stable

## (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 credit worthiness of its customers and by offering the platform

# YANGAROO Inc.

Notes to the Interim Financial Statements (Unaudited)  
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service to numerous smaller customers. As at and during the six months ended June 30, 2025, approximately 13% (June 30, 2024 - 20%) of accounts receivable and 18% (June 30, 2024 - 18%) 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 are as follows:

	June 30 2025	December 31, 2024
0 to 30 days	\$854,125	\$1,097,142
31 to 60 days	132,980	105,355
Over 60 days	254,294	293,978
<b>Total</b>	<b>\$1,241,399</b>	<b>\$1,496,475</b>

Continuity of expected credit losses:

	June 30 2025	December 31, 2024
Balance, Beginning of Period	\$202,598	\$179,684
Accounts Written Off	(114,361)	-
Remeasurement of Loss Allowance	15,000	22,914
<b>Balance, End of Period</b>	<b>\$103,237</b>	<b>\$202,598</b>

The Company's estimated credit loss as at June 30, 2025, is \$103,237 (December 31, 2024 - \$202,598) to address any anticipated collectability issues based on payment history and the expected credit loss of each customer.

## (c) *Liquidity Risk:*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's policy is to ensure that it will 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 capital expenditure budgets, which are regularly monitored and updated as considered necessary.

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Notes to the Interim Financial Statements (Unaudited)  
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The Company manages liquidity risk on the basis of expected maturity dates.

The following tables analyze financial liabilities and lease obligations 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	\$181,618	\$57,606	\$1,046,746	\$1,000,525	\$897,925	-	\$3,184,420
1- 3 years	258,895	-	-	-	-	512,336	771,231
<b>Balance at June 30, 2025</b>	<b>\$440,513</b>	<b>\$57,606</b>	<b>\$1,046,746</b>	<b>\$1,000,525</b>	<b>\$897,925</b>	<b>\$512,336</b>	<b>\$3,955,651</b>

	Lease Obligations	Contract Liabilities	Term Loan Facility	Trade & Other Payables	Revolving Credit Facility	Convertible Debt	Total
< 1 year	\$172,828	\$87,738	\$1,197,822	\$1,138,063	\$729,750	-	\$3,326,201
1- 3 years	330,880	-	-	-	-	361,775	692,655
<b>Balance at December 31, 2024</b>	<b>\$503,708</b>	<b>\$87,738</b>	<b>\$1,197,822</b>	<b>\$1,138,063</b>	<b>\$729,750</b>	<b>\$361,775</b>	<b>\$4,018,856</b>

At present, the Company 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. The revolving credit facility matured June 26, 2025, and the Company is in ongoing discussions with the bank to renegotiate the terms and covenants.

## (d) **Trade Barrier Risks:**

The rapidly evolving landscape stemming from the executive orders signed by the President of the United States regarding new tariffs and subsequently retaliatory tariffs by the Canadian government and other trade protectionist measures implemented are expected to create volatility in the Advertising industry. The Company is actively assessing the direct and indirect future impacts to its business as this situation develops. The magnitude of the impact remains unknown as at the date.

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## 5. Property and Equipment and Right of Use Assets

	Office Equipment	Computer Equipment	Computer Software	Right of Use Office Property	Leasehold Improvements	Total
<b>Cost</b>						
Balance, January 1, 2024	\$35,580	\$748,407	\$436,619	\$1,265,660	\$45,619	\$2,531,885
Additions	-	74,026	-	234,650	-	308,676
Derecognition of Fully Depreciated Assets	-	(343,834)	(107,946)	(973,492)	-	(1,425,272)
Balance, December 31, 2024	35,580	478,599	328,673	526,818	45,619	1,415,289
Additions	1,185	12,558	-	-	-	13,743
Derecognition of Fully Depreciated Assets	-	(71,433)	(23,067)	-	-	(94,500)
<b>Balance at June 30, 2025</b>	<b>\$36,765</b>	<b>\$419,724</b>	<b>\$305,606</b>	<b>\$526,818</b>	<b>\$45,619</b>	<b>\$1,334,532</b>
<b>Accumulated Depreciation</b>						
Balance, January 1, 2024	31,300	710,977	387,803	1,010,630	23,883	2,164,593
Depreciation Expense	1,294	30,228	47,955	140,218	7,114	226,809
Derecognition of Fully Depreciated Assets	-	(343,834)	(107,946)	(973,492)	-	(1,425,272)
Balance, December 31, 2024	32,594	397,371	327,812	177,356	30,997	966,130
Depreciation Expense	615	18,953	861	66,499	3,344	90,272
Derecognition of Fully Depreciated Assets	-	(71,433)	(23,067)	-	-	(94,500)
<b>Balance at June 30, 2025</b>	<b>\$33,209</b>	<b>\$344,891</b>	<b>\$305,606</b>	<b>\$243,855</b>	<b>\$34,341</b>	<b>\$961,902</b>
<b>Carrying Amounts</b>						
December 31, 2024	\$2,986	\$81,228	\$861	\$349,462	\$14,622	\$449,159
<b>June 30, 2025</b>	<b>\$3,556</b>	<b>\$74,833</b>	<b>-</b>	<b>\$282,963</b>	<b>\$11,278</b>	<b>\$372,630</b>

Included in property and equipment are computer equipment under leases with a carrying value of \$64,985 (December 31, 2024 - \$74,339).

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## 6. Intangible Assets

	Brand	Customer Relationships	Development Costs	Total
<b>Cost</b>				
Balance, January 1, 2024	\$70,000	\$1,098,000	\$1,813,293	\$2,981,293
Additions	-	-	647,830	647,830
Balance, December 31, 2024	70,000	1,098,000	2,461,123	3,629,123
Additions	-	-	311,660	311,660
Derecognition of Assets	-	-	(59,111)	(59,111)
<b>Balance at June 30, 2025</b>	<b>\$70,000</b>	<b>\$1,098,000</b>	<b>\$2,713,672</b>	<b>\$3,881,672</b>
<b>Accumulated Amortization</b>				
Balance, January 1, 2024	53,833	841,583	285,204	1,180,620
Amortization Expense	11,278	177,583	321,430	510,291
Balance, December 31, 2024	65,111	1,019,166	606,634	1,690,911
Amortization Expense	1,333	21,501	331,611	354,445
Derecognition of Assets	-	-	(59,111)	(59,111)
<b>Balance at June 30, 2025</b>	<b>\$66,444</b>	<b>\$1,040,667</b>	<b>\$879,134</b>	<b>\$1,986,245</b>
<b>Carrying Amounts</b>				
December 31, 2025	\$4,889	\$78,834	\$1,854,489	\$1,938,212
<b>June 30, 2025</b>	<b>\$3,556</b>	<b>\$57,333</b>	<b>\$1,834,538</b>	<b>\$1,895,427</b>

During the six months ended June 30, 2025, the Company capitalized internally generated software development costs of \$311,660 (June 30, 2024 - \$343,201). Amortization expense of \$331,611 was expensed to development costs during the six months ended June 30, 2025 (June 30, 2024 - \$106,315). The Company initiated new software development projects that would generate probable future economic benefits for the analytics dashboard and the clearance platform. The costs capitalized include employee costs incurred on software development along with any relevant and appropriate overhead. These project costs resulted in interface updates, improving visibility into traffic and occurrence data and incorporating additional advertising performance metrics from third-party providers. Additionally, these project costs resulted in updates to the submission and reporting components, streamlining the tracking of submissions and any ongoing substations of the Clearance platform.

## 7. Goodwill

	June 30, 2025	December 31, 2024
Balance, Beginning of Period	\$359,146	\$359,146
<b>Balance, End of Period</b>	<b>\$359,146</b>	<b>\$359,146</b>

The goodwill balance of \$359,146 is related to the business acquisitions of Digital Media Services ("DMS") in fiscal year 2021 and Millenia3 in fiscal 2023. The Company tests goodwill for impairment on an annual basis or whenever there is an indication that the goodwill may be impaired. There has been no indication that the goodwill may be impaired since the impairment analysis done at December 31, 2024.

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## 8. Trade and Other Payables

	June 30, 2025	December 31, 2024
Trade Payables	\$592,358	\$586,588
Accrued Liabilities	408,167	464,833
Contingent Consideration	-	86,642
<b>Total</b>	<b>\$1,000,525</b>	<b>\$1,138,063</b>

During the six months ended June 30, 2025, the company incurred \$nil in restructuring expenses relating to employee severance (June 30, 2024 - \$12,182).

## 9. Lease Obligations

The Company has lease obligations until 2029 for computer equipment and property, with purchase options at the end of each lease term for computer equipment. The lease agreements have terms ranging between 3 to 5 years at inception and carry a weighted average incremental borrowing rate of 8.45% per annum (2024 – 4.60%). The remaining contractual balance on the lease obligations at June 30, 2025, was \$440,513 (note 4).

	Computer Equipment	Property	Total Lease Liability
Balance at January 1, 2025	\$78,266	\$369,793	\$448,059
Additions During the Period	7,114	-	7,114
Principal Payments	(5,430)	(52,390)	(57,820)
<b>Balance at June 30, 2025</b>	<b>\$79,950</b>	<b>\$317,403</b>	<b>\$397,353</b>
Current Lease Obligation	19,242	137,811	157,053
Long-Term Lease Obligation	60,708	179,592	240,300
<b>Balance at June 30, 2025</b>	<b>\$79,950</b>	<b>\$317,403</b>	<b>\$397,353</b>
Effective Annual Rate of Interest	10.87%	6.44%	8.45%
Amount of Interest Recognized in Profit or Loss	4,361	11,040	15,401

## 10. Loan 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.

### **Revolving Credit Facility**

The revolving credit facility of USD \$1,282,750 (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 June 30, 2025, the Company has drawn \$897,925 (June 30, 2024 - \$986,310) of the revolving credit facility.

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## **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-month interest only payment component. Interest payments are based on the Bank's prime rate plus 2.45%. 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 costs that are being amortized over the expected duration of the term loan facility. The amendment initially extended the term loan maturity date to June 26, 2025, and the Bank subsequently agreed to extend the maturity date to July 26, 2025. 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 also maintain a minimum EBITDA target for the three months ended June 30, 2024, and each of the subsequent quarterly periods until June 30, 2025.

During the six months ended June 30, 2025, \$43,035 of deferred financing fees were amortized. The Company was not in compliance with the covenants and the bank waived the covenant reporting until June 26, 2025, the maturity date of the Credit Facility.

On June 26, 2025, the Company's Credit Facility reached its maturity date. The Bank provided a temporary waiver to extend the facility, and the Company is currently engaged in ongoing discussions with the Bank to renegotiate the terms and covenants of the Credit Facility.

	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Term Loan Facility	\$1,046,746	\$1,197,822
Less: Unamortized Deferred Financing Costs	4,893	(38,142)
<b>Balance, End of Period</b>	<b>1,051,639</b>	<b>1,159,680</b>
Current Portion of Term Loan	1,051,639	1,159,680
Long-Term Portion of Term Loan	-	-
<b>Balance, End of Period</b>	<b>\$1,051,639</b>	<b>\$1,159,680</b>
<b>Revolving Credit Facility Balance, End of Period</b>	<b>\$897,925</b>	<b>\$729,750</b>

## **11. Convertible Debentures**

On December 2, 2022, the Company completed a non-brokered private placement offering of 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 event of certain defaults). The holders of the Debentures were required to exercise a Subordination and Postponement Agreement in favour of the term loan 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 except for 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 CAD \$0.10. Interest will be payable within 30 days of the end of each semi-annual period ended November 30th and May 31st throughout the term of the Debentures in cash or common shares of the Company, at the discretion of the Company. As certain directors of the Company participated



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in the Debenture financing, the Debenture is considered a “related party” transaction. See note 17 - Related Party Transactions.

In connection with the Debentures, the Company paid legal fees of \$17,309. During the six months ended June 30, 2025, \$1,371 (June 30, 2024 - \$1,958) 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 remeasured 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.

	Host Debt Liability	Embedded Derivative Liability
<b>Convertible Debenture Balance - December 31, 2024</b>	<b>\$331,090</b>	<b>\$86,394</b>
Accretion of Convertible Debentures	9,829	-
Interest Accrued	27,985	-
Fair Value Loss on Remeasurement of Embedded Derivative Liability	-	116,397
Foreign Exchange Loss	15,884	7,080
Amortization of Issuance Costs	1,371	-
<b>Convertible Debenture Balance - June 30, 2025</b>	<b>\$386,159</b>	<b>\$209,871</b>

## 12. Contingent Consideration

As part of the Millenia3 acquisition, the Company incurred 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, December 31, 2024, and December 31, 2025.

During the six months ended June 30, 2025, former shareholders earned \$27,055 of earnout and the Company paid \$22,451 to the seller of Millenia3 with respect to the earnout payment.

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## 13. Share Capital

The Company is authorized to issue an unlimited number of common shares, without par value.

During the six months ended June 30, 2025, the Company issued 700,350 common shares to Grant Schuetrumpf, President and CEO.

500,000 of these shares were issued through the exercise of the 500,000 stock options granted to Mr. Schuetrumpf during the first quarter. The remaining 200,350 shares were issued through the previously disclosed Shares for Services Arrangement between the Company and Mr. Schuetrumpf. The Company issued 62,469 shares for the month of January 2025 at a price of \$0.0375 per share and the remaining shares for the months of February to April 2025 at a price of \$0.05 per share. (See note 14 – Share-Based Payments).

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

	Number of Shares	Value
Balance at December 31, 2024	62,437,140	\$27,826,282
Exercise of Stock Options	500,000	26,988
Issuance of Shares	200,350	6,469
<b>Balance at June 30, 2025</b>	<b>63,137,490</b>	<b>\$27,859,739</b>

## 14. Share-Based Payments

The Company has an Omnibus Equity Incentive Plan (the “OEI Plan”), which was originally approved on June 29, 2021, and subsequently amended most recently in 2025. The OEI Plan permits the grant of stock options as well as restricted share units, deferred share units, performance share units, and share appreciation rights (all awards other than options referred to as the “Non-Option Awards”). Pursuant to the terms of the OEI Plan, the maximum number of common shares issuable pursuant to new options together with options granted under the Plan cannot exceed 2,622,360 in the aggregate, being 4.2% of the issued and outstanding common shares of the Company at the time of amendment. The Non-Option Awards may be settled, if and when vested, in common shares of the Company or the cash equivalent, at the election of the Company on issuance of the awards.

### 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, 2024	\$0.11	533,000	533,000	0.14
Granted	\$0.04	500,000	500,000	
Expired	\$0.12	(498,000)	(498,000)	
Exercised	\$0.04	(500,000)	(500,000)	
<b>Balance at June 30, 2025</b>	<b>\$0.11</b>	<b>35,000</b>	<b>35,000</b>	<b>0.21</b>

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During the six months ended June 30, 2025, 500,000 stock options were granted and exercised. In the first quarter, the Company granted 500,000 stock options with a fair value of \$13,260. Each of the 500,000 stock options vested immediately on the date of grant and had 90 days to maturity. The estimated fair value of the options was expensed over the vesting period. The compensation expense and charge to share-based payment reserves relating to the stock options for the first quarter was \$13,260. On June 6, 2025, the 500,000 options were exercised with an exercise price of \$0.0375 per share. 500,000 common shares were issued, the value of the Company's share capital increased by \$26,988, and the deduction to share-based payment reserves relating to the stock options in the second quarter was \$13,260.

No stock options were issued or exercised during the three and six months ended June 30, 2024.

The following table shows the stock options outstanding at June 30, 2025:

Number of Options	Number of Unvested Options	Number of Vested Options	Exercise Price (CAD)	Expiry Date
35,000	-	35,000	\$0.11	15-Sep-25
<b>35,000</b>	<b>-</b>	<b>35,000</b>	<b>\$0.11</b>	

Subsequent to the six months ended June 30, 2025, no outstanding options had expired unexercised.

## **Restricted Share Units**

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

The fair value of RSUs 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.

On January 2, 2025, the Company issued 500,000 RSUs to Mr. Kanniah, the Company's Chief Financial Officer. These RSUs vest fully on the second anniversary of the grant date, upon which they will be payable in cash or in common shares, or a combination of both, at the discretion of the Company, subject to the terms of the Plan. The estimated fair value has been based on the quoted market price on the date of issuance of \$0.04 per common share.

On March 10, 2025, the Company issued 2,000,000 RSUs to Mr. Schuettrumpf, the Company's Chief Executive Officer. These restricted share units are expected to be settled through the issuance of 2,000,000 common shares of the Company. 1,000,000 of these RSUs are subject to certain performance requirements and as such will vest on the later of either the satisfaction of the performance requirements or March 7, 2026. The remaining 1,000,000 RSUs will vest on March 7, 2027. The estimated fair value of the RSUs has been based on the quoted market price on the date of issuance of \$0.04 per common share.

The compensation expense and charge to share-based payment reserves relating to the RSUs for the six months ended June 30, 2025, was \$21,433 (June 30, 2024 - \$nil).

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The following table shows the RSUs outstanding as at June 30, 2025:

Number of Units	June 30, 2025	December 31, 2024
Balance, Beginning of Period	-	-
Granted	2,500,000	-
<b>Balance, End of Period</b>	<b>2,500,000</b>	-
Vested	-	-

## Shares for Services Arrangement

As of March 10, 2025, the Company has also agreed to a Shares for Services Arrangement with Grant Schuetrumpf, CEO, with respect to a portion of Mr. Schuetrumpf's compensation, in lieu of cash. The lesser of USD \$2,500 per month and CAD \$5,000 per month (less applicable withholding taxes) is to be paid in addition to Mr. Schuetrumpf's existing salary, by way of share issuance (the "Shares for Services Arrangement"). Pursuant to the Shares for Services Arrangement, common shares of the Company will be issued each month over a period of two years effective as of January 1, 2025, to Mr. Schuetrumpf, the number of Shares to be calculated using the Market Price on the last trading day of each month, except with respect to the month of January 2025, which was calculated using the Discounted Market Price as at March 10, 2025. The issuance of any shares under the Shares for Services Arrangement was approved by the TSX Venture Exchange and will be subject to applicable hold periods. No new insiders will be created, nor will any change of control occur, as a result of the issuance of these shares.

## 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 three and six months ended June 30, 2025 and 2024 were as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Numerator:				
Net Income (Loss)	\$(281,168)	\$(129,031)	\$(409,976)	\$(113,466)
Denominator:				
Weighted Average Number of Common Shares – Basic	62,629,544	62,437,140	62,533,874	62,437,140
Adjustments for Calculation of Diluted Income per Share:				
Options in the Money	-	-	-	-
Weighted Average Number of Common Shares – Fully Diluted	<b>62,629,544</b>	<b>62,437,140</b>	<b>62,533,874</b>	<b>62,437,140</b>
Basic Income (Loss) per Share	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.00)
Fully Diluted Income (Loss) per Share	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.00)

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## 16. 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:

<b>For the Six Months Ended June 30, 2025</b>	<b>Canada</b>	<b>US</b>	<b>Total</b>
Advertising	\$167,862	\$2,399,254	\$2,567,116
Music	212,915	266,737	479,652
Awards Management	36,003	350,728	386,731
<b>Total Revenue</b>	<b>\$416,780</b>	<b>\$3,016,719</b>	<b>\$3,433,499</b>
Property and Equipment	215,562	157,068	372,630
Intangible Assets	1,834,538	60,889	1,895,427
Goodwill	-	359,146	359,146
Trade and Other Payables	484,334	516,191	1,000,525

  

<b>For the Six Months Ended June 30, 2024</b>	<b>Canada</b>	<b>US</b>	<b>Total</b>
Advertising	\$144,878	\$2,774,617	\$2,919,495
Music	201,442	381,273	582,715
Awards Management	50,561	319,548	370,109
<b>Total Revenue</b>	<b>\$396,881</b>	<b>\$3,475,438</b>	<b>\$3,872,319</b>
Property and Equipment	219,266	243,918	463,184
Intangible Assets	1,764,974	85,056	1,850,030
Goodwill	-	359,146	359,146
Trade and Other Payables	428,585	677,103	1,105,688

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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 Omnibus Incentive Plan (note 14).

Key management personnel compensation for the six months ended was:

	Six Months Ended 2025	Six Months Ended 2024
Salaries and Short-Term Employee Benefits <sup>(i)</sup>	301,353	\$358,774
Share Based Payments	34,693	-
	<b>\$336,046</b>	<b>\$358,774</b>

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

As at June 30, 2025, \$34,818 (June 30, 2024 - \$38,358) owing to officers and directors of the Company was included in trade and other payables. The amounts owing are unsecured, non-interest bearing, and due on demand.

## 18. 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 six months ended June 30, 2025.

## 19. Additional Information

The Company's ongoing lawsuit against the former shareholders of Digital Media Services Inc. ("DMS") has recently reached its first settlement agreement with one of the former shareholders of DMS.

### **Background**

On May 21, 2021, the Company completed the acquisition of certain assets and liabilities of Digital Media Services Inc. ("DMS"). As part of the acquisition, the Company obtained DMS's customer lists and contracts. Subsequent to the acquisition, DMS's largest customer terminated its contract, materially reducing the value of the acquired business. This information was not disclosed during the due diligence process prior to the acquisition.

As a result, the Company initiated legal proceedings against the former shareholders of DMS and the accounting firm responsible for the due diligence, citing breach of contract.

### **Settlement**

On June 3, 2025, the Company reached a settlement agreement with one of the defendant shareholders for a payment of \$60,000. The funds related to this settlement were received subsequent to the quarter end.

The Company is currently engaged in ongoing discussions and anticipates reaching further settlement agreements with the accounting firm involved in the transaction and with the largest former shareholder of DMS.

# **YANGAROO Inc.**

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## **20. Events After Reporting Period**

On July 22, 2025, the Company reached a second settlement agreement for \$150,000 with the accounting firm related to the ongoing DMS lawsuit.