

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") for UpSnap, Inc. ("**UpSnap**" or the "**Company**") should be read in conjunction with the Company's consolidated financial statements, and the accompanying notes, as at and for the period ended September 30, 2020, which have been filed with certain securities regulatory authorities in Canada and may be accessed through the SEDAR website at www.sedar.com (under UpSnap's profile). References in this MD&A to the Company's financial position and results of operations are presented on a consolidated basis and include the accounts of the Company and its wholly-owned subsidiaries, UpSnap USA Holdings, Inc., BTS Logic Europe ApS, Call Genie (Ontario) Inc., Call Genie Europe B.V., and VoodooVox Limited. The Company's consolidated financial statements, including the notes thereto, and the financial information presented in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are stated in Canadian currency unless otherwise indicated. This MD&A is dated as of November 24, 2020. Whenever used in this MD&A, the term "**Common Shares**" means common shares in the capital of the Company.

The content of this MD&A has been approved by the board of directors of the Company (the "**Board**" or "**Board of Directors**"), on the recommendation of its Audit Committee.

Further information concerning the Company and its business and operations may be obtained from continuous disclosure materials filed by the Company from time-to-time with certain securities regulatory authorities in Canada. These continuous disclosure materials are available through the Company's website at www.UpSnap.com or through the SEDAR website at www.sedar.com (under UpSnap's profile).

FORWARD LOOKING STATEMENTS AND DISCLAIMER

Certain information set out in this MD&A constitutes forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "hope", "plan", "continue", "estimate", "expect", "may", "will", "intend", "could", "might", "should", "scheduled", "believe" and similar expressions.

Forward-looking statements are based upon the opinions, expectations and estimates of management and, in some cases, information received from or disseminated by third parties, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include such things as the Company's current stage of development, the lack of a track record with respect to the generation of revenues from performance-based arrangements with customers, its reliance on third parties and third party technology, the existence of competition, the availability of external financing, the inherent risks associated with research and development activities and commercialization of emerging technologies (such as lack of market acceptance), timing of execution of various elements of the Company's business plan, the availability of human resources, the emergence of competing business models, new laws (domestic or foreign), lack of acceptance by customers, management's estimates of project requirements being

incorrect, information received from third parties with respect to anticipated transaction volumes being incorrect, a lack of advertising sources for integration into the Company's platform, management's understanding of the competitive and regulatory environment being incorrect and the other risk factors noted below under the heading "Business Risks and Uncertainties". **Accordingly, readers should not place undue reliance upon the forward-looking information contained herein and the forward-looking statements contained in this MD&A should not be considered or interpreted as guarantees of future outcomes or results.**

The Company does not assume responsibility for the accuracy and completeness of the forward-looking statements set out in this MD&A and, subject to applicable securities laws, does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances. UpSnap's forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statement.

OVERVIEW

UpSnap provides highly-targeted, data-driven advertising products to both large brands and small businesses. UpSnap offers its advertising services to national brands on a campaign basis and to small businesses on a monthly subscription basis.

UpSnap's advertising solutions for small businesses are unique, with products including video ads, social media ads and digitally retargeted direct mail ads that have traditionally only been affordable to large businesses. Small businesses typically pay a monthly fee in return for a fixed number of ads. The ads typically target a local area and are associated with a strong call to action such as "tap to call", "tap for directions", "tap for appointment", "tap for coupon", or "tap for website" in the case of mobile ads or an exclusive coupon in the case of direct mail ads. UpSnap generally sells these subscriptions through a reseller network.

UpSnap's Intentional Direct Mail ("**IDM**") service allows advertisers such as small businesses and brands to amplify their digital marketing by programatically mailing customized direct mail postcards to potential customers that engage with the advertiser's website or mobile ads. By adding IDM tracking pixels to an advertiser's website, UpSnap can automatically locate the website visitor and print and mail a customized direct mail postcard to the visitor's mailing address within 24 hours of the visit, thereby increasing the advertiser's engagement with its customers. UpSnap developed the software used by the IDM service in-house and began selling the service in 2019.

UpSnap's advertising solution for brands is based on establishing long-term relationships with advertisers either directly or indirectly through advertising agencies, resellers and other media companies. A typical arrangement begins with the signing of an insertion order. Each insertion order, which generally remains in effect for a limited time period and involves a limited budget, outlines the performance criteria under which UpSnap earns a fee. Generally mobile advertising fees are earned based on simple insertion or display of an ad into any advertising inventory slot. No action is required by the consumer in order to earn this type of fee.

In order to earn advertising fees, UpSnap must source publishers who have places to insert advertisements ("**Ad Traffic**"). The arrangements to purchase Ad Traffic can be either on a fixed fee or revenue share basis. Fixed fees have a higher risk/return profile as the amount paid to the publisher is fixed and UpSnap's revenues vary based on the effectiveness of the ad campaigns. Alternatively, the publisher arrangements can be revenue share based where the publisher earns a percentage of the advertising fees earned by UpSnap. This has lower risk to UpSnap, but costs are potentially higher than a fixed fee.

In addition to its direct mail and mobile advertising services, UpSnap provides software and services that allow customers to perform voice and data searches on proprietary business directories. UpSnap expects that these legacy products will continue to generate software license and maintenance fees and consulting fees.

OVERALL PERFORMANCE

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 pandemic. Although the extent of the impact of this outbreak and related containment measures on the Company’s operations cannot be reliably estimated at this time, the Company has taken a number of steps to mitigate the impact of the virus on its business. Many small businesses that use the Company’s advertising services have been required to close for an unknown time and the Company has seen a number of advertising campaigns reduced or paused in line with overall industry trends.

Revenue for the quarter ended September 30, 2020 totalled \$411k compared to \$430k in 2019. A decrease in revenue from advertising services due to continuing challenges faced by small businesses from the pandemic was offset by an increase in revenue from national brands.

Operating costs for the quarter ended September 30, 2020, were \$468k compared to \$634k in 2019. The decrease was primarily due to a decrease in printer and publisher costs consistent with the decrease in advertising revenue.

Net loss for the quarter ended September 30, 2020, was \$94k (or \$0.00 per share), compared to a loss of \$240k (or \$0.00 per share) in 2019. The smaller loss was primarily due to decreased operating costs.

NON-IFRS FINANCIAL MEASURES

This MD&A includes certain measures which are not defined terms in accordance with IFRS. The term "Reseller costs" refers to a discount the Company offers on the list price of its advertising services in order to compensate a reseller for sourcing customers. The term "Revenue gross of reseller costs" refers to amounts the Company would charge customers at the list price for its advertising services if the Company was selling directly to the customers rather than selling through a reseller. The measures are used for internal management purposes as a way of accounting for the selling costs of the Company's advertising services.

"Reseller costs" and "Revenue gross of reseller costs" are not measures of performance under IFRS and should not be considered in isolation. These measures do not have a standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other companies.

SELECTED ANNUAL INFORMATION

The following table sets out selected financial and share information of the Company as at September 30, 2020, 2019, and 2018 and for the periods then ended:

KEY FINANCIAL METRICS in 000's (except share amounts)	2020	2019	2018
Revenue			
- Advertising services			
Mobile advertising	546	486	1,395
Direct mail advertising	347	684	363
- Software licensing and support	379	186	342
Total revenue	1,272	1,356	2,100
Revenue gross of reseller costs*	1,192	1,968	2,652
Reseller costs*	(501)	(612)	(552)
Operating costs	(1,476)	(1,745)	(2,686)
Operating loss	(204)	(389)	(586)
Net loss	(248)	(497)	(610)
Total assets	731	689	1,020
Total long term liabilities	-	-	-
Loss per share – basic and fully diluted	(0.00)	(0.00)	(0.00)
Common shares outstanding			
- Basic	267,640,941	267,640,941	267,640,941

* As defined in “Non-IFRS Financial Measures”

Revenues gross of reseller costs

The following table sets out a reconciliation of Revenue gross of reseller costs to Revenue for each period indicated:

Nine months ended September 30, (in 000's)	2020	2019	2018
Revenue	1,272	1,356	2,100
Reseller costs	501	612	552
Revenue gross of reseller costs*	1,773	1,968	2,652

Three months ended September 30, (in 000's)	2020	2019	2018
Revenue	411	430	690
Reseller costs	170	191	171
Revenue gross of reseller costs*	581	621	861

RESULTS OF OPERATIONS

Revenues

UpSnap operates in one segment, advertising software and services. The Covid-19 pandemic continues to have a large impact on the company's small business clients resulting in lower advertising revenue. The decrease was offset by an increase in software licensing and support revenue due to implementing new versions of the directory software and an increase in mobile advertising revenue from national brands. The following tables detail the company's revenues.

Nine months ended September 30, (in 000's)	2020	2019	Variance	% change
Mobile Advertising	546	486	60	12%
Direct Mail Advertising	347	684	(337)	(49%)
Software Licensing and Support	379	186	193	104%
Total	1,272	1,356	(84)	(6%)

Three months ended September 30, (in 000's)	2020	2019	Variance	% change
Mobile Advertising	235	157	78	50%
Direct Mail Advertising	111	212	(101)	(48%)
Software Licensing and Support	65	61	4	7%
Total	411	430	(19)	(4%)

UpSnap continues to focus on servicing the small business market and looks to drive growth through new services including video ads, social media ads and digitally retargeted direct mail ads. UpSnap's strategy is to provide unique targeted advertising solutions to small businesses that have traditionally only been affordable for large advertisers.

The amount of revenue generated from the Company's mobile advertising services will depend, to a significant degree, on the Company's ability to source relevant Ad Traffic and ads that prompt consumers to act in a manner that generates a measurable sales lead to a merchant. UpSnap expects its quarterly results will continue to vary, from quarter to quarter and year to year, sometimes significantly.

The increase in software licensing and support revenue was due to the implementation of new versions of the directory software. Customers for the directory software consist of large European telecom companies that saw a smaller impact from Covid-19. UpSnap expects that revenue from its legacy software products will remain flat or decrease as its existing contracts continue to expire. There are no contracts scheduled to expire in 2020.

Contract liabilities consist of deposits for future advertising campaigns. Contract liabilities was \$174k at September 30, 2020 compared to \$98k at December 31, 2019. As a response

to risks from the Covid-19 pandemic UpSnap obtained additional deposits and prepayments from customers, including UFM.

Operating Costs

The following tables detail the company's operating costs.

Nine months ended September 30, (in 000's)	2020	2019	Variance	% change
Network and publisher costs	461	707	(246)	(35%)
Labour costs	134	253	(119)	(47%)
Other operating costs	817	757	60	8%
Foreign exchange gain/loss	12	-	12	-
Amortization	52	28	24	86%
Total	1,476	1,745	(269)	(15%)

Three months ended September 30, (in 000's)	2020	2019	Variance	% change
Network and publisher costs	149	260	(111)	(43%)
Labour costs	29	67	(38)	(57%)
Other operating costs	295	290	5	2%
Foreign exchange gain/loss	(22)	-	(22)	-
Amortization	17	17	-	-
Total	468	634	(166)	(26%)

Network and Publisher Costs

Network and publisher costs consist of non-labour costs directly incurred by the Company to provide hosted services and to acquire Ad Traffic from publishers. This includes network, data and operating charges required to support mobile advertising services as well as mailing services required to support the IDM product. The decreases were consistent with decreased revenue from advertising services. UpSnap expects its publisher costs to grow in proportion to the growth in its IDM and mobile advertising revenue.

Labour Costs

Labour costs consist of employee salaries, employee benefits and stock option compensation expense. The decrease was due primarily to a lower headcount. The average number of full time employees for the period ended September 30, 2020, was 2 compared to 3 in 2019. A number of key management positions are shared between UpSnap and User Friendly Media ("UFM"), a related party. UpSnap compensates UFM through a Shared Services Agreement. UpSnap contracts the majority of its software development to third parties. Additionally, UpSnap sells its small business subscriptions primarily through a reseller network, allowing the Company to increase revenue without significant increases in labour costs by leveraging its resellers' sales forces and customer relationships. UpSnap expects its labour costs to increase in proportion to the growth in its sales efforts.

Other Operating Costs

Other operating costs consist primarily of facility costs, professional services, telephone expenses, sales and marketing costs, travel costs and costs associated with operating as a public issuer. An increase in software development costs was due to consulting costs related to implementing new versions of the directory software. Revenues from this project were recorded in prior quarters. Costs which were tied to collection of revenues were recorded in the current quarter. UpSnap expects other operating costs to increase in proportion to its sales and marketing and product development efforts.

The following table provides a breakdown of other operating costs:

Nine months ended September 30, (in 000's)	2020	2019
Consultants Including Software Development	397	339
Insurance, Interest and Bank Fees	77	76
Marketing and Travel	150	114
Professional Fees	121	111
Rent, Supplies and Postage	35	11
Shareholder and Public Company Costs	44	89
Other Expenses Including Bad Debts	(9)	17
Total	817	757

Three months ended September 30, (in 000's)	2020	2019
Consultants Including Software Development	178	121
Insurance, Interest and Bank Fees	26	33
Marketing and Travel	43	41
Professional Fees	32	33
Rent, Supplies and Postage	10	2
Shareholder and Public Company Costs	6	29
Other Expenses Including Bad Debts	-	31
Total	295	290

Operating Loss

UpSnap's operating loss for the nine months ended September 30, 2020, was \$204k compared to \$389k in 2019. UpSnap's operating loss for the three months ended September 30, 2020, was \$57k compared to \$204k in 2019. The smaller loss was due to lower network and publisher costs consistent with lower advertising revenue and lower labour costs due to a reduced headcount.

Interest and Accretion Expense

Interest and accretion expense for the period ended September 30, 2020, was \$37k compared to \$36k in 2019. The interest and accretion relate to an \$800k debenture issued in October 2018 to a related party.

Net Gain or Loss

UpSnap's net loss for the nine months ended September 30, 2020, was \$248k (\$0.00 per share) compared to \$497k (\$0.00 per share) in 2019. UpSnap's net loss for the three months ended September 30, 2020, was \$94k (\$0.00 per share) compared to \$240k (\$0.00 per share) in 2019.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected financial information of the Company for the quarters indicated.

(000's, except per share amounts)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Revenue								
Mobile advertising	303	180	149	157	156	170	141	235
Direct mail advertising	172	213	259	212	143	131	105	111
Software licensing and support	96	63	62	61	61	164	150	65
Software customization	9	-	-	-	-	-	-	-
	580	456	470	430	360	465	396	411
Expenses								
Network and publisher costs	238	220	227	260	127	166	146	149
Labour costs	170	121	65	67	71	67	38	29
Other operating costs and foreign exchange	284	198	269	290	308	334	222	273
Amortization	(12)	-	11	17	22	17	18	17
	680	539	572	634	528	584	424	468
Operating gain (loss)	(100)	(83)	(102)	(204)	(168)	(119)	(28)	(57)
Gain on extinguishment of debt	71	-	-	-	-	-	65	-
Interest and accretion	(36)	(36)	(36)	(36)	(37)	(36)	(36)	(37)
Net gain (loss) for the period	(65)	(119)	(138)	(240)	(205)	(155)	1	(94)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The reported financial position of the Company presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred accumulated losses of \$110.8 million since the Company commenced operations in 2000. As of September 30, 2020, the Company had a working capital deficit of \$2.5 million and a cash balance of \$119k.

Cash flows from operating activities primarily consist of the Company's gain or loss before income tax adjusted for certain non-cash items such as amortization, stock-based compensation, interest and accretion on debentures, gains on the settlement of liabilities and changes in working capital.

Cash flows used in operating activities for the period ended September 30, 2020 resulted in a cash loss of \$28k compared to a loss of \$348k in 2019. The smaller cash loss was due to a smaller operating loss.

GOING CONCERN AND COVID-19

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 pandemic. The impact of COVID-19 could negatively impact the Company’s operations, suppliers or other vendors, and customer base. The operations for the Company’s services could be negatively impacted by the regional and global outbreak of COVID-19, including stop-work orders on existing contract work for an unknown period of time. Any quarantines, labor shortages or other disruptions to the Company’s operations, or those of their customers, may adversely impact the Company’s revenues, ability to provide its services and operating results. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical areas in which the Company operates, resulting in an economic downturn that could affect demand for UpSnap’s services. Many small businesses that use the Company’s advertising services have been required to close for an unknown time and the Company has seen a number of campaigns reduced or paused in line with overall industry trends. The extent to which the coronavirus impacts the Company’s results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others. UpSnap has taken a number of actions to mitigate the impact of the COVID-19 virus, including:

- Transitioning to a remote working environment for all employees,
- Reducing all discretionary spending,
- Suspending cash compensation for directors,
- Applying for government assistance including payroll subsidies and business loans, and
- Obtaining deposits and prepayments from customers, including UFM.

The Company’s ability to continue operations remains dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer relationships; and 3) secure new customer relationships that provide the Company with adequate funds to cover projected expenditures (or a combination of the foregoing). If the Company does not generate sufficient funds from existing or new customer relationships and is unable to raise additional financing, the Company will have to consider strategic alternatives, which may include, among other things, exploring the monetization of certain intangible assets, modification of planned operating expenditures, or the sale of the Company. It is not possible to predict whether the Company will be successful in securing new contracts or securing additional financing. These factors raise significant doubt as to the Company’s ability to continue as a going concern. In the meantime, the Company is reliant on financing and operational support from a shareholder, User Friendly Media, to continue operations. The consolidated financial statements do not include adjustments to the amounts and

classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The following table sets out certain information concerning UpSnap's contractual obligations, including payments due for each of the next three years and thereafter.

Contractual Obligations as at September 30, 2020	Payments Due by Year in 000's				
	Total	2020	2021	2022	After 3 years
Accounts payable and accrued liabilities	1,712	1,712	-	-	-
Debentures	800		800	-	-
Total	2,512	1,712	800	-	-

The Company did not have any off-balance sheet arrangements as of September 30, 2020. The Company did not have any commitments for capital expenditures as of September 30, 2020, nor any financing sources arranged, but not yet used.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds various forms of financial instruments as follows:

(In '000s)	Designation	2020	2019
Cash and cash equivalents	Amortized cost	119	158
Accounts receivable (excluding commodity tax)	Amortized cost	322	130
Accounts payable and accrued liabilities	Amortized cost	1,714	1,480
Debentures	Amortized cost	800	773

The nature of these financial instruments and the Company's operations expose UpSnap to a number of financial risks, including credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

Financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. At September 30, 2020, primarily all of the Company's cash and cash equivalents were held at two major Canadian and U.S. banks.

The Company's accounts receivable are subject to normal credit risks. Any amounts not provided for are considered fully collectible.

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company manages liquidity risk through cash flow forecasting including anticipated investing and financing activities. See the section titled “Liquidity and Capital Resources” above for further discussion.

Foreign currency risk arises from the fluctuation of foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company sells software and services in both Canadian and foreign currencies. The sale of software and services in foreign currencies gives rise to the risk that the Company’s income and cash flows may be adversely impacted by fluctuations in foreign exchange rates. Certain purchases of services and equipment are also made in non-Canadian currencies. The Company does not actively manage this risk and uses its natural hedge to mitigate, to the extent possible, the impact of foreign exchange fluctuations.

The most significant foreign exchange exposure arises from U.S. dollar revenue and costs. The Company may experience transaction exposure because of volatility in the exchange rate between the Canadian and U.S. dollar.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and debenture approximate their fair values due to the immediate or short-term maturity of these financial instruments.

BUSINESS RISKS AND UNCERTAINTIES

The business of the Company is subject to numerous risk factors, including those more particularly described below. An investment in or ownership of Common Shares should be considered highly speculative due to the nature of the Company's business, its current stage of development and the potential requirement for additional financing.

Substantial Capital Requirements; Liquidity; Going Concern

Because of the costs associated with further development of UpSnap's technology and business, and the fact that UpSnap's ability to generate revenue will depend on a variety of factors (including the ability of UpSnap to meet its development schedule and consumer and merchant acceptance of UpSnap technologies), additional funds are required to support UpSnap's business. UpSnap has accumulated a substantial deficit and continues to have operating losses. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Additional funds (whether through additional equity financing, debt financing or other sources) may not be available (at all or on terms acceptable to UpSnap) or may result in significant dilution to UpSnap shareholders or significant interest obligations. The inability to obtain additional funds in the short term will have a material adverse effect on UpSnap's business, results of operations, and financial condition and could result in the Company ceasing operations.

No Record of Profit

UpSnap has incurred significant losses to date, and there can be no assurance that the future business activities of UpSnap will be profitable. Since its organization, UpSnap has incurred

costs to develop and enhance its technology, to establish strategic relationships, to acquire complementary technologies and to build administrative support systems. UpSnap has incurred negative operational cash flow to date. UpSnap incurred losses of \$0.2 million for the period ended September 30, 2020, \$0.7 million for the year ended December 31, 2019, \$0.7 million for the year ended December 31, 2018, \$0.2 million for the year ended December 31, 2017, \$1.0 million for the year ended December 31, 2016, \$1.1 million for the year ended December 31, 2015, \$4.1 million for the year ended December 31, 2014, \$12.2 million for the year ended December 31, 2013, \$11.2 million for the year ended December 31, 2012, \$13.2 million for the year ended December 31, 2011, \$8.6 million for the year ended December 31, 2010, \$12.4 million for the year ended December 31, 2009, \$20.5 million for the year ended December 31, 2008, \$12.6 million for the year ended December 31, 2007, and \$6.5 million for the year ended December 31, 2006. UpSnap's ability to operate profitably and generate positive cash-flow in the future will be affected by a variety of factors (including its ability to further develop and test its technology on schedule and on budget, the pace at which it secures additional customers, the time and expense required for the roll-out of its products, its success in marketing its solutions and services to consumers and merchants, the intensity of the competition experienced by UpSnap and the availability of additional capital to pursue its business plan, including development of new solutions and services). An inability to generate sufficient funds from operations will have a material adverse effect on UpSnap's business, results of operations and financial condition.

Developing Market

UpSnap is engaged in the development and marketing of solutions and services that are relatively new and, as such, the primary market for UpSnap's solutions and services is underdeveloped and continues to evolve. As is typical in the case of a new evolving industry segment, the demand for the Company's solutions and services is subject to a high level of uncertainty. If the markets for the UpSnap solutions and services fail to develop, develop more slowly than expected or become saturated with competitors, or if the Company's solutions and services do not achieve and maintain market acceptance, the Company's business, results of operations and financial condition will be materially adversely affected.

Current Enterprise Value assigned by the Market: Liquidity

The actions of all stakeholders in the business may be adversely affected by the current market capitalization of the Company. These stakeholders include customers, potential customers, competitors, channel delivery counterparties, technology counterparties, and current or prospective employees. These stakeholders may ascribe a higher business risk to the Company due to its relatively low market capitalization, and any perception of higher risks may have a material adverse effect on UpSnap's business, results and financial condition.

Third Party Technology

In providing its solutions and services, UpSnap is, and will continue to be, dependent on technologies and infrastructure that are beyond UpSnap's control, including landline and cellular telephone networks, directory databases and cloud computing services. There can be no assurance that, if weaknesses or errors in third party software or hardware are detected, UpSnap will be able to correct or compensate for such weaknesses or errors. If UpSnap is unable to address weaknesses or errors and the Company's solutions and services are therefore unable to meet consumer or merchant needs or expectations, UpSnap's business, results of operations and financial condition will be materially adversely affected. In addition, there can be no assurance that the Company will continue to have access to required third-party technology on terms acceptable to UpSnap. If UpSnap is unable to obtain third party technology on acceptable terms, UpSnap's business, results of operations and financial condition will be materially adversely affected.

Rapid Technological Change

The technology industry is subject to rapid change, and the inability of UpSnap to adapt to such change may have an adverse effect on UpSnap's business, results of operations and financial condition. The effect of new developments and technological changes on the business sector in which UpSnap is active cannot be predicted. Such developments would include, but are not limited to, change in how mobile advertising is delivered by advertisers and transacted with potential consumers, declining paid directory assistance transactions and resulting advertising opportunities arising on a global basis, a change in the success rate on the application of analytics in advertising, consumer backlash resulting from the collection and use of demographic intelligence, clients' ability to execute and industry consolidation. UpSnap's failure to adapt to any of the above could have a material adverse effect on UpSnap's business, results of operations and financial condition.

Competition

UpSnap is subject to competition from other organizations (many of which have substantially greater human and financial resources) and there can be no assurance that UpSnap will be able to compete effectively in its target markets. Technologies exist that are competitive with the Company's product suite. Certain organizations with substantially greater financial and human resources than the Company have active research and development initiatives involving the development and implementation of voice search capabilities, workstation applications, analytics and ad network arrangements. The inability of UpSnap to preserve existing customers and secure additional customers due to competitive technologies will have a material adverse effect on UpSnap's business, results of operations and financial condition.

In addition, advances in communications technology as well as changes in the marketplace and the regulatory environment are constantly occurring and any such change could have a material adverse effect on UpSnap.

Need for Research and Development

To achieve its business objectives and obtain market share and profitability, UpSnap will need to continually research, develop and refine the Company's various technologies. Many factors may limit UpSnap's ability to develop and refine required technologies or to create, acquire or negotiate access to new technologies. UpSnap may also be exposed to marketplace resistance to new technology and services. Any failure of UpSnap to develop new technologies or refine its existing technologies, or offer new solutions and services could have a material adverse effect on UpSnap's business, results of operations and financial condition.

Defects and Liability

The hardware and software utilized to deliver the Company's solutions and services is complex and sophisticated and may contain design defects or software errors that are difficult to detect and correct. There can be no assurance that the Company's technologies will be free from errors or defects, or, if discovered, that UpSnap will be able to successfully correct such errors in a timely manner or at all. Errors or failures in the Company's technologies could result in loss of or delay in market acceptance of the Company's solutions and services and correcting such errors and failures could require significant expenditures. Because of the competitive nature of the marketplace in which the Company's product suite is delivered, the reputational harm resulting from errors and failures could be very damaging to UpSnap. The consequences of such errors and failures could have a material adverse effect on UpSnap's businesses, results of operations and financial condition.

Patents and Other Intellectual Property

While UpSnap has applied for patents for certain elements of its technology, there can be no assurance that such applications will result in the granting of patent protection. Competitors may have filed patent applications or hold issued patents relating to services or processes competitive with those of UpSnap. Any patents covering elements of the UpSnap technology granted to third parties (or the inability of UpSnap to successfully challenge such patents) may impair UpSnap's ability to do business in a particular area including in key markets. Others may independently develop similar services or duplicate unpatented elements of the Company's technologies.

UpSnap's success will be largely dependent upon its ability to protect its proprietary technologies. UpSnap relies upon copyrights, trademarks and trade secrets to protect its intellectual property. Where appropriate, UpSnap also enters into non-disclosure agreements with persons to whom it reveals proprietary information. Any failure or inability on the part of UpSnap to protect its intellectual property could have a material adverse effect on UpSnap's business, results of operations and financial condition.

UpSnap may be required to engage in litigation in the future to enforce or protect its intellectual property rights or to defend against claims of invalidity and UpSnap may incur substantial costs as a result. Any claims or litigation initiated by UpSnap to protect its intellectual property could result in significant expense to UpSnap and diversion of the efforts of UpSnap's technical and management resources, whether or not the claims or litigation are determined in favor of UpSnap.

Ability to Manage Growth

Responding to consumer and merchant demands, expansion into other geographical markets and targeted growth in UpSnap's business has placed, and is likely to continue to place, significant strains on UpSnap's administrative and operational resources and increased demands on its management, internal systems, procedures and controls. If UpSnap experiences rapid acceptance of its solutions and services, the need to manage such growth will add to the demands on UpSnap's management, resources, systems, procedures and controls. There can be no assurance that UpSnap's administrative infrastructure, systems, procedures and controls will be adequate to support UpSnap's operations or that UpSnap's officers and personnel will be able to manage any significant expansion of operations. If UpSnap is unable to manage growth effectively, UpSnap's business, operating results and financial condition will be materially adversely affected.

Personnel Resources

UpSnap is (and will continue to be) reliant upon its management and technical personnel in all aspects of its business, including to anticipate and address consumer and merchant demands in areas such as software development, customer service, marketing, finance, strategic planning and management. There can be no assurance that qualified management or technical personnel will be available to UpSnap in the future. The loss of services of any of the Company's management or technical personnel could have a material adverse effect on its business, results of operations and financial condition.

Potential Fluctuations in Quarterly Operating Results

UpSnap expects to be exposed to significant fluctuations in quarterly operating results caused by many factors, including changes in the demand for the Company's solutions and services, the introduction of competing technologies, market acceptance of enhancements to the Company's solutions and services, delays in the introduction of enhancements to the Company's solutions and services, changes in UpSnap's pricing policies or those of its competitors, the mix of solutions and services sold, foreign currency exchange rates and general economic conditions. Such fluctuations could have a material adverse effect on UpSnap's business, results of operations and financial condition.

Risk of Industry Consolidation

UpSnap's customers include carriers, telecommunication providers, yellow pages providers, directory assistance providers, publishers, publisher aggregators, advertisers, advertising aggregators, agencies, directory data providers, mobile application and service providers, ad networks, in-call media, and search engines. Each of these industries is characterized by constant change, restructuring and consolidation. As a result, UpSnap may have established working relationships with one such customer undermined by a business combination or other transaction with another business in the marketplace. This could have a material adverse effect on UpSnap's business, results of operations and financial conditions.

Government Regulation

The marketplace within which UpSnap operates is in constant flux in relation to government regulation. Areas being regulated include regulation relating to call handling, privacy, and opt-in requirements for mobile application. Regulation is also being considered for use and application of consumer demographic information for mobile advertising purposes and

other areas impacting on mobile advertising. The consequences of such regulation or changes to such regulation could have a material adverse effect on UpSnap's business, results of operations and financial condition.

Costs Associated with Compliance with Securities Laws

UpSnap is a publicly traded corporation and is subject to all of the obligations imposed on "reporting issuers" under applicable securities laws and all of the obligations applicable to a listed company under stock exchange rules. Direct and indirect costs associated with public company status have increased in recent years and regulatory initiatives under consideration may further increase the costs of being public in Canada and could have a material adverse effect on UpSnap's business, results of operations and financial condition. If UpSnap is unable to generate significant revenues from business operations, the cost of complying with applicable regulatory requirements will represent a significant financial burden to UpSnap and may have a material adverse effect on UpSnap's business, results of operations and financial condition.

OUTSTANDING SHARE DATA

The Company's outstanding share capital consists of Common Shares. The Company is authorized to issue an unlimited number of Common Shares. At September 30, 2020, 267,640,941 Common Shares were outstanding, unchanged from the prior year.

As at September 30, 2020, the Company had 8,100,000 (December 31, 2019 – 10,100,000) stock options outstanding with a weighted average exercise price of \$0.05.

RELATED PARTY TRANSACTIONS

User Friendly Media ("UFM"), a private media company, owns approximately 49% of UpSnap's issued and outstanding common shares. UpSnap bills UFM under a reseller agreement for small business advertising subscriptions. For the nine month period ended September 30, 2020, UpSnap recorded \$471k (2019 – \$751k) in revenue under this agreement. Included in accounts receivable at September 30, 2020, are \$51k (December 31, 2019 – \$52k) in receivables from UFM.

UFM bills UpSnap under a shared services agreement for management and support services, which include shared office space and key management roles including the Chief Executive Officer, Vice President of Operations and Vice President of Product and Technology. For the period ended September 30, 2020, amounts billed under this agreement, excluding disbursements, totalled \$24k (2019 - \$24k). Included in accounts payable at September 30, 2020, are \$621k (December 31, 2019 – \$408k) in payables to UFM for fees and disbursements and \$219k (December 31, 2019 - \$137k) for accrued interest on an \$800k principal amount of debenture. Included in contract liabilities is \$74k (December 31, 2019 - \$nil) in prepayments for advertising services.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements as at and for the period ended September 30, 2020, were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Please refer to Note 2 of the Company's consolidated financial statements for a detailed discussion regarding the significant accounting policies relied upon in the preparation of the financial statements, the application of critical estimates and judgements in the preparation of the financial statements and recent accounting pronouncements.