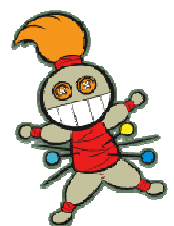

Filing Statement of

VOODOOVIX INC.

December 12, 2012



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2. CORPORATE STRUCTURE

2.1 NAME AND INCORPORATION

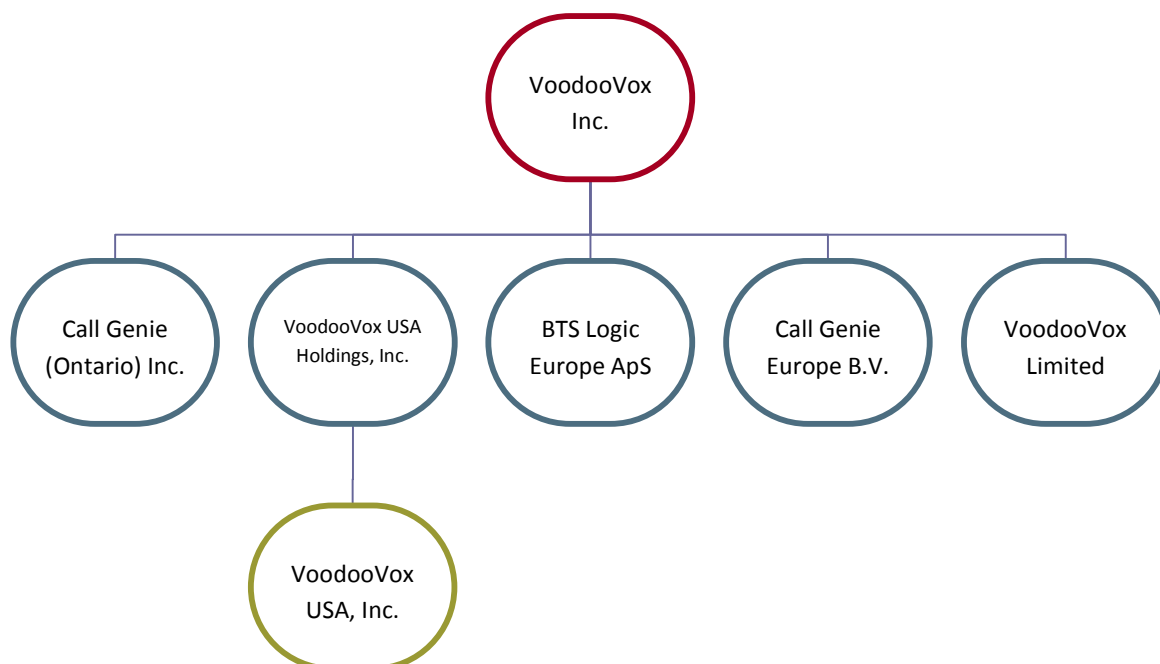
VoodooVox Inc. (the “Company” or “VoodooVox”) is domiciled in Canada. The head office is located at 100 Consilium Place, Suite 200, Toronto, Ontario, Canada.

2.2 LEGAL STATUS

VoodooVox was incorporated under the laws of Canada on October 17, 2000 and was continued into Alberta on February 5, 2003.

2.3 INTERCORPORATE RELATIONSHIPS

VoodooVox has five subsidiaries: (i) Call Genie (Ontario) Inc., (ii) VoodooVox Holding USA, Inc., (iii) Call Genie Europe B.V., (iv) VoodooVox Limited; and (v) BTS Logic Europe ApS (see diagram below).



Call Genie (Ontario) Inc. was incorporated under the *Business Corporations Act* (Ontario) on September 11, 2003. All of the issued and outstanding shares of Call Genie (Ontario) Inc. are legally and beneficially owned by VoodooVox.

On January 17, 2012, Call Genie USA, Inc. changed its name to VoodooVox USA Holdings, Inc. ("VoodooVox USA Holdings"). VoodooVox USA Holdings was incorporated under the laws of the State of Delaware, USA on October 7, 2003 and all of the issued and outstanding shares of VoodooVox USA Holdings are legally and beneficially owned by VoodooVox.

BTS Logic ApS ("BTS") was incorporated under the laws of Denmark on October 13, 1997. All of the issued and outstanding shares of BTS are legally and beneficially owned by VoodooVox.

Call Genie Europe B.V. was incorporated under the laws of the Netherlands on July 6, 2007. All of the issued and outstanding shares of Call Genie Europe B.V. are legally and beneficially owned by VoodooVox.

Pursuant to a merger transaction that closed on January 2, 2008, PhoneSpots, Inc. ("PhoneSpots") (a Delaware Company incorporated on May 25, 1999 as StreetSmart, Inc., which later changed its name to PocketThis, Inc. and then to PhoneSpots, Inc.) became a wholly owned subsidiary of VoodooVox USA Holdings. On January 17, 2012, PhoneSpots changed its name to VoodooVox USA, Inc ("VoodooVox USA").

PhoneSpots Limited was, at the time of the January 2008 merger transaction, a wholly owned subsidiary of PhoneSpots, Inc. PhoneSpots Limited was incorporated under the laws of the United Kingdom and has been in operation since 2000. Following the January 2008 merger transaction, all of the issued and outstanding shares of PhoneSpots Limited became, and continue to be, legally and beneficially owned by VoodooVox. On January 31, 2012, PhoneSpots Limited changed its name to VoodooVox Limited.

2.4 TRANSACTION STRUCTURE

This section does not apply to the Company.

2.5 CORPORATE LEGISLATION

This section does not apply to the Company.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 HISTORY AND BACKGROUND

GENERAL

Prior to 2011, VoodooVox focused on being a global solutions provider of mobile local search and mobile digital interactive advertising solutions, which were intended to enable traditional industries to move to new business models that support the connection of mobile consumers and local merchants. The Company has developed or acquired technology, services and solutions that utilize advanced wireless networks as well as the mobile web to enable a "mobile ecosystem" that encompasses advertisers, advertising publications (*e.g.* internet yellow pages) and mobile users. Initially, the Company developed a voice automated, location based category search product that would, in response to caller-provided inputs, search for, identify and provide information concerning relevant local businesses (the "Category Search Product"). This technology was supplemented with acquired technology from BTS in 2007 and PhoneSpots in 2008. The acquired BTS technology includes certain directory assistance products such as business name search and agent workstation software. The acquired PhoneSpots technology includes mobile content delivery, mobile advertising, and mobile campaign management products that identify and distribute to callers relevant mobile content information as well as mobile advertisements sourced from third parties. With the acquisition of these two entities, VoodooVox was in a position to provide multiple solutions to enable its customers to generate revenues from mobile local search and mobile advertising applications. To advertisers and advertising publications, VoodooVox provided a range of tools and marketing solutions designed to support the connection of mobile consumers to local merchants through mobile devices and the mobile web, using both voice commands and data services. The information or advertising communicated is presented to users in voice or data format (or both) and sent to advanced mobile devices such as the Blackberry and the iPhone.

In 2011, the Company identified market demand and commercialization opportunities to transform its existing technology and solutions into an enhanced mobile advertising managed service. As a mobile advertising company, VoodooVox enters into business arrangements directly with publishers to place advertising. VoodooVox secures advertising directly from advertising agencies or advertisers and earns fees by either placing ads within third party publications or by triggering performance based events such as initiating a click-to-call phone call to a direct response call center, selecting an alternative merchant from a disconnected telephone number or providing additional merchant information.

RECENT ACQUISITIONS

During late 2011 and early 2012, two acquisitions of business assets were completed as follows:

UpSnap

On October 23, 2011, pursuant to the terms of a definitive agreement with UpSnap Services LLC ("UpSnap"), the Company acquired all of the assets and business operations of UpSnap, which was located in North Carolina, USA. UpSnap owned certain mobile advertising products that include direct response mobile landing pages and other click to call products. The UpSnap solution is used by the Company to provide mobile internet users with relevant ads.

Old VoodooVox

On January 6, 2012, the Company acquired the assets and business operations from a Delaware company then operating as VoodooVox, Inc. ("Old VoodooVox"). Old VoodooVox, located in Massachusetts, provided real-time demographic information on phone calls and mobile ad traffic. Working with proprietary information developed by Old VoodooVox and data provided by third party aggregators, the acquired assets enable customer companies to gain valuable insight into their call volume and mobile game/application activity.

With the acquisition of the assets and business operations of UpSnap and Old VoodooVox, the Company has branded itself as the Smarter Mobile Advertising Company and is in a position to provide highly targeted, relevant ads to mobile consumers including users of mobile smartphones.

THREE YEAR HISTORY

2009

During 2009, the Company continued to focus on being a global solutions provider of mobile local search and mobile digital interactive advertising solutions, which were intended to enable traditional industries to move to new business models that support the connection of mobile consumers and local merchants. The agreements with Dex Media, Inc. ("DEX") and NBC/Endemol, described below, were key commercialization events in 2009.

R.H. Donnelley Inc. and Dex Media, Inc.

In June 2009, the Company signed an amending agreement with DEX, which extended the term of its contract with DEX to December 31, 2012. The amending agreement also expanded the scope of the relationship to include new product deployment, custom development and ongoing operational support and maintenance for a comprehensive lead generation and advertising solution. In addition, the amendment provided the Company with exclusivity over the extended term of the agreement.

In October 2008, the Company announced that DEX had made its award winning 1-800-Call-Dex™ service (enabled by the Company) available throughout the 14-state footprint where DEX was the official yellow pages directory for Qwest. The expansion of the service into an additional 35 major metropolitan markets in the United States followed successful trials in Denver, Phoenix, Spokane and Tucson.

The contract amendments contemplated a significant expansion of the capabilities of the system, enhancements to the customer experience and possible extensions of the geographical reach of the 1-800-Call-Dex service. The amended agreement provided that 1-800-Call-Dex would utilize virtually all of the Company's product solutions (as they then existed), including the following services: Open Location (search technology using geographic parameters), Open Listing (search technology using name or category information), Open Agent (workstation technology that supports directory search by name or category, local search and search for other types of local and enhanced information), Open Search (search engine technology that supports Open Agent), and Interact Voice (Automated Business Name and Business Category search technologies).

Under the amended agreement with DEX, upfront fees for product deployment and custom development work were paid to the Company in 2009. The amended agreement also provided that the Company would be entitled to further revenues over the balance of the term of the contract from: (i) reoccurring maintenance and hosting fees; and (ii) transaction fees based on call volume upon commercial deployment of the applications.

NBC/Endemol

In July 2009, the Company entered into a three-year agreement with Endemol USA Inc. ("Endemol") and NBC Universal ("NBC") for a consumer-oriented local search sweepstakes platform for the hit syndicated game show "Deal or No Deal."

Under the terms of the agreement, the Company was to develop, manage and promote "Deal Mania," a consumer-oriented sweepstakes contest conducted during syndicated episodes of "Deal or No Deal" and apply its technology components to leverage the brand and campaign across a multi-platform strategy.

Financing Activities

In 2009, the Company completed two convertible debenture offerings. The first closed in July for aggregate gross proceeds of approximately \$2.5 million. Members of management and directors of the Company purchased approximately \$330,000 aggregate principal amount of the debentures. The principal amount of the debentures bears interest at a rate of 10% per annum, payable semi-annually, and the debentures were scheduled to mature on May 30, 2012. Principal and accrued interest under the debentures were convertible into Common Shares, at the option of the holder, based on a conversion price of \$0.50 per share (subject to anti-dilution adjustments). Further, the debenture holders each received 240 purchase warrants per \$1,000 principal amount of debentures. Each warrant entitled the holder to purchase one Common Share, at an exercise price of \$0.225 (subject to anti-dilution adjustments), at any time and from time to time until June 26, 2011. The proceeds of the July 2009 private placement were used for working capital and general corporate purposes and to establish a 10% reserve for future interest obligations under the debentures.

Between November 12, 2009 and January 11, 2010, the Company distributed a further \$4.0 million aggregate principal amount of convertible secured debentures. Under the terms of those debentures, outstanding principal bears interest at a rate of 12% per annum, payable semi-annually, and the debentures are scheduled to mature on October 31, 2012. Principal and accrued interest under the debentures was convertible into Common Shares, at the option of the holders, at a conversion price of \$0.50 per share (subject to anti-dilution adjustments). In addition, each debenture holder received 480 purchase warrants per \$1,000 principal amount of debentures. Each warrant entitled the holder to purchase one Common Share, at an exercise price of \$0.225 (subject to anti-dilution adjustments), at any time prior to October 31, 2011.

The Company granted a security interest to holders of all debentures distributed in 2009/2010 under a general security agreement covering all of the assets of the Company.

2010

During 2010, the Company continued to diversify its client base while transitioning some key customer accounts into the operational stage. Some of the key developments included the following:

TDC Denmark

In late 2009, the Company entered into a three year agreement to design, deploy and maintain an end-user facing directory assistance website for TDC Denmark, the leading telecommunications company in Denmark. The project was to be delivered in two phases through 2010, beginning with a design phase, then a development, user acceptance testing and full production deployment phase. The agreement with TDC Denmark provides for development and implementation fees, as well as ongoing maintenance and support fees.

Ad Network Components

2010 saw the continued development of the Company's ad network. Agreements were entered into with a number of content providers and customers for the delivery of and access to ad content. The Company continued to develop innovative delivery systems and software relating to the delivery of relevant local mobile advertising to ready-to-transact consumers.

DEX One

During 2010, the Company continued to develop applications and solutions for this customer. 2010 also saw the early commercialization of the DEX One relationship, with the Company technology being successfully deployed in DEX One regions.

Master Supplier Relationships

In 2010, the Company entered into two significant master vendor agreements with major US Companies in the local mobile advertising industry.

France Telecom

During 2010, the Company entered into a contract with France Telecom S.A. to provide the Company's AdExchange technologies to the France Telecom advertising network.

Financing Activities

On August 12, 2010, the Company distributed \$1,625,000 aggregate principal amount of convertible secured debentures in connection with a brokered private placement and closed an \$875,000 non-brokered secured debt financing. The principal amount of the debentures bear interest at a rate of 15% per annum, payable semi-annually, and the debentures are scheduled to mature on August 12, 2012. At the option of each debenture holder, outstanding principal under the debentures may be converted into Common Shares based on a conversion price of \$0.10 per share. In addition, each debenture holder received 2,000 purchase warrants per \$1,000 principal amount of debentures. Each warrant entitles the holder to purchase one Common Share, at an exercise price of \$0.12 (subject to anti-dilution adjustments), at any time until August 12, 2014.

The Company granted a security interest to the debenture holders, pursuant to a general security agreement covering all of the assets of the Company, as well as a security interest in certain other assets not owned by the Company, which were made available by the then Chairman of the Board of Directors of the Company through companies controlled by him.

On August 12 2010, the Company also completed a non-brokered private placement of secured debt for aggregate proceeds of \$875,000. Certain insiders of the Company participated in that financing; including the then Chairman of the Board, the CEO and the CFO, and amounts borrowed by the Company bear interest at 15%. At the option of the Company, repayment may be made in the form of interest only payments, with the principal being repayable at the end of the two year term for an additional 2.5% interest. The Company reserved the right to pre-pay such debt prior to maturity and without penalty. Holders of this indebtedness share in the security provided to the holders of the debentures distributed on August 12, 2010 on a *pari passu* basis.

On November 5, 2010, the Company completed a private placement of 1,500 units (each, a "Unit") for aggregate gross proceeds of \$1,500,000 (representing a per Unit price of \$1,000). Each Unit consisted of 1,000 Common Shares and \$1,000 principal amount of secured non-convertible debentures. Interest was payable on the principal amount of the debentures at a rate of 10% per annum and the debentures were scheduled to mature on May 5, 2011, provided that the Company had the right to prepay all or any portion of the debentures and interest prior to the maturity date without any premium or penalty. Performance by the Company of its obligations under the November 2010 debentures was secured by a security interest in all of the Company's present and after-acquired personal property. In addition, holders of the November 2010 debentures were granted a second security interest in an asset, not owned by the Company, which was made available by a company controlled by the Chairman of the Board of Directors of the Company. In conjunction with a financing completed by the Company on March 2, 2011, these debentures were repaid in full.

2011

During 2011, the Company identified market demand and commercialization opportunities to transform its existing technology and solutions into an enhanced mobile advertising managed services. Some of the key developments included the following:

Software as a Service ("SaaS")

In the second half of 2011, the Company took the transformative step of offering its full host of mobile advertising solutions as a principal operator.

UpSnap Acquisition

UpSNAP was one of the largest direct response advertising networks available on mobile phones in the United States and a pioneer in the pay-per-call industry. With over 1,000 advertising customers and effective campaign management resources, UpSNAP served over one billion ads in the first half of 2011 converting consumers using mobile devices into qualified in-bound calls for advertisers through various mobile advertising networks and strategic relationships.

DEX One

During 2011, DEX One reviewed its operations and concluded that the 1-800-Call-Dex solution would not continue as a program in its existing structure. The Company continued to work with DEX One on various other projects.

Microsoft

During 2011, VoodooVox entered into a contract with Microsoft Inc. to provide the Company's AdExchange reporting technologies to Microsoft's advertising network.

Financing Activities

On March 2, 2011, the Company distributed \$5,000,000 aggregate principal amount of convertible secured debentures in connection with a brokered private placement. The principal amount of the debentures bears interest at a rate of 12.0% per annum, payable semi-annually, and the debentures are scheduled to mature on March 2, 2015. At the option of each debenture holder, outstanding principal under the debentures may be converted into Common Shares based on a conversion price of \$0.25 per share. In addition, each debenture holder received 1,250 purchase warrants per \$1,000 principal amount of debentures. Each warrant entitles the holder to purchase one Common Share, at an exercise price of \$0.12 (subject to anti-dilution adjustments), at any time until March 2, 2013. The Company granted a security interest to the debenture holders, pursuant to a general security agreement covering all of the assets of the Company.

On October 25, 2011, the Company completed a private placement of 12,000,000 units (each, a "2011 Unit") for aggregate gross proceeds of \$1,200,000 (representing a 2011 Unit price of \$0.10). Each 2011 Unit consisted of one Common Share and one half of a purchase warrant. Each full purchase warrant entitles the holder to acquire one Common Share, at an exercise price of \$0.12, at any time and from time to time until expiry on October 25, 2014.

On December 29, 2011, the shareholders and directors of the Company approved an Incentive Program in an effort to encourage holders of outstanding debentures to convert outstanding principal and interest into Common Shares. To promote the conversion of the principal amount of the debentures and the accrued but unpaid interest thereon, management and the directors of the Company proposed a reduction in the conversion price (to \$0.10 per Common Share) applicable to those debentures previously convertible at rates higher than \$0.10 per Common Share. Additionally, for those debentures that already provided for a conversion price of \$0.10 per Common Share, the conversion incentive program provided for the issuance of warrants to holders of debentures previously convertible at \$0.10 who agreed to convert such debentures (and accrued but unpaid interest) and granted 5,000 warrants per \$1,000 principal amount converted. Each such warrant was convertible into one Common Share at a price of \$0.12 any time prior to December 31, 2013. Shareholders of the Company approved such proposals (collectively, the "Incentive Program") at a special meeting on December 29, 2011.

Under the Incentive Program, holders of debentures have converted an aggregate of \$6,675,000 of principal and \$184,543 of interest and the Company issued 68,595,454 Common Shares and 2,275,000 Warrants.

2012

During Q1 2012, the Company completed the acquisition of Old VoodooVox in support of its new smarter mobile advertising managed service business model. The Company worked to integrate and consolidate the three Companies, Call Genie, UpSnap and Old VoodooVox over the subsequent two quarters and began to focus on the execution and growth of the managed service business model. Some of the key developments included the following:

Software as a Service ("SaaS")

During 2012, the Company focused on refining its managed service offerings and growing its list of publishers and advertising relationships.

Old VoodooVox Acquisition

On January 6, 2012, the Company acquired the assets and business operations from a Delaware company then operating as VoodooVox, Inc. ("Old VoodooVox"). Old VoodooVox, located in Massachusetts, provided real-time demographic information on phone calls and mobile ad traffic. Working with proprietary information developed by Old VoodooVox and data provided by third party aggregators, the acquired assets enable companies to gain valuable insight into their call volume and mobile game/application activity.

With the acquisition of the assets and business operations of UpSnap and Old VoodooVox, the Company has branded itself as the Smarter Mobile Advertising Company and is in a position to provide highly targeted, relevant ads to mobile consumers including users of mobile smartphones.

Microsoft

During 2012, Microsoft Inc. concluded the AdExchange reporting technologies project, although the Company's Master Services Agreement remains intact.

Introduction of Caller Analytics Platform Services

The Company, based upon technologies acquired through the acquisition of Old VoodooVox, introduced two services in Q1, Caller Analytics Reporting and Real-Time Analytics ("RTA"). The former service provides demographic reports on consumer phone numbers/traffic and the latter provides an API to a real-time feed for demographic information on mobile or landline phone numbers on a query basis. These data analytics services allow companies the ability to gain valuable insight into their call volume and mobile game/application activity. The Company was able to establish a significant sales pipeline for this platform that has yielded a reseller arrangement with LiveChime and a number of sales agreements in the second half of 2012 for the deployment of these services.

Organizational Consolidation and Cost Reductions

Organizational changes implemented at the end of Q3, 2012 were designed around the continued consolidation and integration of the Company's acquisitions of UpSnap and Old VoodooVox. The Company was able to increase efficiency through the elimination of redundant hosted facilities and locations as well as the consolidation of 15 positions.

These changes included the appointment of Alex Pekurar, previously the Company's Controller, as Chief Financial Officer, replacing Chris Shelton who departed, and the assumption by Gene Cohen of overall Operations and Tony Philipp of overall Sales responsibility, from Chet Chan, formerly Chief Operating Officer, who also departed.

Alex Pekurar, CFO, was originally hired in January, 2011 as Controller and has 12 years of experience; Gene Cohen, Senior Vice President of Operations, was originally hired in January, 2012 in connection with the Old VoodooVox acquisition and has 25 years of experience; and Tony Philipp, Senior Vice President of Mobile Advertising, was hired in October, 2011 in connection with the UpSnap acquisition and has 23 years of experience.

Micky Tsui was appointed Chairman of the Board, filling the Chairman role vacated due to the resignation of Richard DeVries, former director and the previous Chairman.

Working Capital Improvement

During the third quarter of 2012 the Company implemented a debt deferral program in conjunction with a financing and reached agreements with its debenture holders to defer principal and interest payments on approximately \$5M aggregate principal amount of debentures. The Company reduced its working capital deficit to \$1.2 million at September 30, 2012.

Financing Activities

In June 2012, the Company distributed an aggregate principal amount of \$0.8 million of debentures (the "June Debentures") through a non-brokered private placement. The June Debentures were sold on a private placement basis to a number of accredited investors, including the Chairman of the Board of VoodooVox (the "Subscriber(s)"). For each \$1,000 invested, each Subscriber received \$918.33 principal amount debenture and 3,000 Common Shares of the Company at a purchase price of \$81.67. Such Common Shares were subject to a four-month hold as prescribed by the TSX. The June Debentures bear interest at the rate of 17.5% per annum, payable quarterly in arrears, are scheduled to mature two years from the date of issuance, and are secured by obligations of the Company. Performance by the Company of its obligations under the June Debentures is secured by a security interest covering all of the Company's present and after acquired property, as well as certain assets made available by the Company's former Chairman of the Board.

In August 2012, the Company distributed an aggregate principal amount of \$1.8 million of debentures (the "August Debentures") through a brokered private placement with Wolverton Securities Ltd. This represented the first tranche in a series of financings that the Company is engaged in for up to \$7,500,000 and is working towards completing. The August Debentures were sold on a private placement basis to a number of accredited investors (the "Subscriber(s)"). The August Debentures, bearing interest at the rate of 12% per annum payable quarterly in arrears, mature on August 13, 2015 and are secured by a general security interest covering the Company's present and after acquired property. In addition, for each \$1,000 invested, each Subscriber received 3,000 purchase warrants entitling the Subscriber to acquire 3,000 common shares of the Company at an exercise price of \$0.02 per common share. The warrants expire on August 13, 2015.

In September 2012, The Company distributed an aggregate principal amount of \$1,000,000 of debentures (the "September Debentures") through the second closing of a brokered private placement with Wolverton Securities Ltd. of up to \$7,500,000. This represents the second tranche in a series of financings that the Company is engaged in and is working towards completing. The September Debentures were sold on a private placement basis to a number of accredited investors (the "Subscriber(s)"). The September Debentures, bearing interest at the rate of 12% per annum payable quarterly in arrears, mature three years from date of issuance and are secured by a general security interest covering the Company's present and after acquired property. In addition, for each \$1,000 invested, each Subscriber received 3,000 purchase

warrants entitling the Subscriber to acquire 3,000 common shares of the Company at an exercise price of \$0.02 per common share. The warrants expire on September 19, 2015.

In November 2012, the Company completed a private placement for \$625,000 (the "November Debentures"). The Company distributed 500 debentures each with a denomination of \$1,000 through a brokered private placement with Wolverton Securities Ltd. Insiders, including the Company's CEO and Chairman, subscribed for an additional 125 debentures each with a denomination of \$1,000 through a non-brokered private placement. This represents the third tranche in a series of financings of up to \$7,500,000 that the Company is engaged in and is working towards completing. The total amount raised by the Company pursuant to the three financings is \$3,462,000.

The November Debentures were sold on a private placement basis to a number of accredited investors (the "Subscriber(s)"). The debentures, bearing interest at the rate of 12% per annum payable quarterly in arrears, are scheduled to mature three years from date of issuance and are secured by a general security interest covering the Company's present and after acquired property. With each \$1,000 principal amount of debentures, the Company also distributed 3,000 common share warrants, each of which entitles the holder to acquire one common share in the capital of the Company at an exercise price of \$0.02 per share. The warrants are scheduled to expire on November 30, 2015.

3.2 SIGNIFICANT ACQUISITIONS AND DISPOSITIONS

This section does not apply to the Company.

3.3 INDUSTRY TRENDS, COMMITMENT OR EVENTS

INDUSTRY TRENDS AND COMPETITIVE CONDITIONS

Management of VoodooVox believes that the Company is positioned at the intersection of two fast growing trends in the technology industry, being the widespread adoption of smartphones and mobile app development. Mobile advertising has become a focus for merchants looking to maximize the effectiveness of their on-line advertising dollars. Mobility has grown to the point where more calls are now made and received in North America and elsewhere on mobile networks than on land line networks (Forester).

Adoption of Smartphones

Driven by intuitive user interfaces, increased functionality, faster processing speeds, and advanced display technologies with touch capabilities, it has become possible to deliver rich innovative consumer media experiences on a wide variety of mobile connected devices or smartphones. The growth of worldwide 3G network penetration, advanced next-generation 4G networks and prevalence of Wi-Fi access have facilitated the delivery of content on mobile connected devices. According to IDC, the number of smartphones shipped by vendors is expected to increase significantly during the period from 2010 to 2015.

Mobile usage has altered how content is consumed. Consumers are increasingly using their mobile devices instead of personal computers or other traditional media to consume content. Mobile devices have become increasingly important to daily life as users rely on mobile connectivity to read newspapers, magazines, blogs, watch movies, play games, check sports scores, monitor weather forecasts, conduct banking transactions and obtain maps and directions.

Apps Development

Mobile apps have been created by developers as an easy, intuitive and interactive way to instantly deliver content on mobile devices. Gartner forecasts that the number of free and charged-for downloads from mobile application stores worldwide will increase significantly during the period from 2011 to 2015. Developers are pursuing a variety of approaches to monetize their apps. One of the key opportunities is to place advertisements within apps.

Increased Competition from On-line Advertisers

The mobile advertising market is highly competitive and unpredictable because of the fragmented nature of the industry and its early stage of development. Despite the prospects for significant growth in the area of digital directional media, the competition for advertising dollars is expected to be significant among directory services companies and online search companies such as Google, Apple, Yahoo and Microsoft.

Increase in Mobile Advertising

As advertisers seek to maximize the effectiveness of their ad campaigns, the attractiveness of traditional advertising such as newspapers, radio, and television is declining relative to digital advertising. The increasing influence of demographic groups such as the "Net Generation" is one of the drivers behind a major shift in advertising models away from mass-market, interrupt driven vehicles and toward more targeted, search driven vehicles.

MARKET

Based on the benefits of mobile advertising as compared to traditional offline advertising and PC-based advertising, VoodooVox believes that advertisers will continue to shift their advertising budgets to mobile. The proliferation of smartphones, mobile apps downloads, and general reliance on mobile connectivity provides a high growth market for mobile advertising. In March 2011, Gartner, an independent market research company, estimated that worldwide mobile advertising will expand from US\$1.8 billion in 2011 to \$13.5 billion in 2015. Management believes that the Company is well positioned to capitalize on opportunities in these markets and views the Company's established presence in such markets as a competitive advantage.

Readers are cautioned that VoodooVox has not independently verified the accuracy of the information provided by Gartner, Forester, eMarketer, and IDC, nor is VoodooVox certain of whether that information is empirically verifiable as it involves expectations of future developments.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 GENERAL

BUSINESS STRATEGY OF THE COMPANY

VoodooVox is engaged in the business of providing mobile advertising solutions to advertisers, publishers, and operators. The Company's technology, tools and services help publishers maximize their advertising revenues, acquire users and gain insight into their users. The Company offers advertisers significant audience reach, sophisticated targeting capabilities and the ability to deliver rich and engaging ad experiences to consumers on their mobile connected devices.

VoodooVox's business strategy is based on developing and expanding its own network of third party organizations that have direct consumer and advertising relationships. Those consumer-facing third party entities can be wireless carriers, directory assistance providers or other companies that have significant wireless or wireline customer bases. The third party organizations that have advertising relationships can be search engine companies, yellow page publishers or media companies that have developed significant advertising publications in traditional or online media. In addition, the VoodooVox network is supplemented with direct deals with both advertisers and publishers. The Company has access to both national and local advertisers and endeavours to facilitate the delivery of the most relevant advertisement to a consumer. The Company is focused on leveraging its proprietary technology and caller analytics to provide the targeted advertisements to mobile consumers.

VoodooVox's products and services are available internationally in more than 11 countries in North America, Europe and other parts of the world. The principal countries in which VoodooVox operates, directly and indirectly, are the United States, Canada and various European jurisdictions.

The following sections set out summary information concerning key elements of VoodooVox's business strategy.

Software as a Service

Prior to 2011, the Company's solution based revenues were dependent on its customers commercializing its services. In 2011, the Company identified market demand and commercialization opportunities to transform its existing technology and solutions into an enhanced mobile advertising managed service. The Company transitioned many of its customers onto its proprietary SaaS platform, which provides the Company with direct control over the selection and placement or insertion of advertisements. The Company manages traffic flow and determines the publisher sources to be used on a real-time basis in an effort to maximize yield.

Industry Consolidation

In the last half of 2011, the Company undertook a strategy of consolidating certain early providers of mobile advertising solutions. In October 2011, the Company acquired the assets and business operations of UpSnap and in January 2012, the Company acquired the assets and business operations of Old VoodooVox. The Company continues to explore various acquisition opportunities.

Expanded Product Offering

In 2011, the Company continued the expansion of its bundled solution (that constitutes its suite of products and services) through the development and expansion of the Company's ad network. The key product acquired was the caller analytics technology purchased from Old VoodooVox at the end of 2011. This product has wide applicability to the Company's historical customer base which included a number of telephone companies ("Telcos") and 411 providers.

International Expansion

VoodooVox continues to pursue international opportunities by leveraging its global customer base and contacts established through the acquisition of BTS and PhoneSpots. The breakdown of revenues for 2011 was as follows: 63% from US contracts and 37% from Europe and Rest of World.

Revenues by Product Type

The following table sets out additional information concerning revenue by product line for the years indicated.

In thousands	December 31, 2009	December 31, 2010	December 31, 2011	% of total 2011
Voice	893	1,291	3,491	56%
SMS Data	1,195	382	1,234	20%
Workstation	1,399	2,533	1,478	24%
Total	3,487	4,206	6,203	100%

For 2011, the Company's overall increase in revenues, as compared to fiscal 2010, was primarily attributed to the increased revenues from the Company's voice projects in the United States.

Customer Retention and Acquisition

The Company has entered into, and is reliant to a large degree, on a number of key contracts with customers. The Company continues to seek out opportunities to expand existing relationships and to enter into additional similar agreements with other industry participants.

BUSINESS MODEL

VoodooVox's current business model is based on establishing long-term relationships with advertisers either directly or indirectly through advertising agencies and other media companies. VoodooVox enters into performance arrangements with advertisers which typically include 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 VoodooVox earns a fee. The fees can be classified into two broad categories: CPM fees and CPA fees. Cost Per Thousand, or "CPM" fees, are earned based on simple insertion or display of the ad into any advertising inventory slot. No action is required by the consumer in order to earn this type of fee. Cost Per Action, or "CPA" fees, are earned when a consumer who hears or sees the ad takes a specific action. Performance criteria for CPA fees can include, but are not limited to, initiating

a click-to-call phone call to a direct response call center, selecting an alternative merchant from a disconnected telephone number or providing additional merchant information.

In order to earn CPM or CPA fees, VoodooVox 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 VoodooVox'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 CPM or CPA fees earned by VoodooVox. This has lower risk to VoodooVox, but costs are potentially higher than a fixed fee. To date, VoodooVox has generally favored revenue share arrangements.

VoodooVox believes that the key to delivering an effective mobile advertising experience is providing publishers with highly relevant, targeted ads. To assist in sourcing these ads, VoodooVox relies on its caller analytics technology, which provides relevant demographic information about consumers who use the publishers' service. Increased knowledge and predictability regarding traffic sources generally translates into higher CPM rates and higher yield on CPA revenue sources.

VoodooVox believes that a smarter mobile advertising solution is not exclusively an audio ad, a text or graphic ad, or a video ad, but rather the combination of available communication tools to optimize a seamless consumer search, based upon relevance, mode and timing. Smarter mobile advertising is also viewed as being transparent – advertising that is actually more of a solution to a consumer's problem (or need) versus an interruption or a nuisance.

In addition, VoodooVox expects that its historical solution based arrangements will continue to generate software license and maintenance fees, hosting fees and consulting services. The potential to expand and leverage existing long term relationships, with the cross selling of newly acquired technologies such as caller analytics, presents additional growth opportunities for the Company.

SELLING AND MARKETING PLANS AND STRATEGY

VoodooVox sells its mobile advertising solutions to large brand and performance advertisers (being advertisers that pay for specific actions initiated by the consumer) through a number of channels. Primarily, VoodooVox employs direct sales personnel in the United States and Europe. The direct sales force is organized into individual account teams that include a sales executive as well as personnel from the Company's Operations organization. At December 31, 2011, the Company had 10 staff dedicated to the sale and marketing of its products and services.

In addition, the Company relies upon various arrangements with industry participants to resell its products and solutions. To advertising aggregators, VoodooVox provides a range of tools and multi-modal advertising solutions designed to enable them to target and reach ready to transact consumers using mobile devices and the mobile web. To service providers who support or have access to mobile consumers, VoodooVox provides solutions that enable such providers to offer users mobile local search or opt-in ("know me"), which, in turn, enables consumers to access relevant local merchants/content.

VoodooVox's products and services have been implemented internationally in more than 11 countries in North America, Europe and other parts of the world. The principal countries in which VoodooVox operates are the United States, Canada and various European jurisdictions.

VoodooVox generates sales leads through existing business relationships, marketing partners, industry conferences, targeted advertisements and its public relations efforts. VoodooVox qualifies all leads and opportunities through an internal bid qualification process and assigns account teams to each potential opportunity. The account team then initiates the sales process, which generally involves multiple meetings and presentations focused on VoodooVox's technologies, products and services, as well as the development of an appropriate business case.

VoodooVox also relies on a series of alliances with leading companies in the mobile local search market. These alliances are intended to provide an international extension of VoodooVox's direct sales force as well as sales leads and referrals. VoodooVox has adopted this multi-channel distribution model in an effort to more aggressively seek out new opportunities as well as leverage the marketing, distribution, and overall resources of companies that are much larger and strategically placed in target markets.

Key elements of VoodooVox's marketing strategy include:

- Educating, enabling and driving direct and indirect channels to market;
- Attendance and presentation at leading industry conferences; and
- Proactive and ongoing industry and community public relations campaigns.

VoodooVox has consolidated and integrated key mobile advertising technologies, platforms and services; the value proposition for which is being packaged and delivered to its sales channels for communication to existing and prospective customers.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 ANNUAL INFORMATION

The following table sets out selected financial and share information of the Company as at September 30, 2012 and December 31, 2011, 2010 and 2009 and for the periods indicated:

KEY FINANCIAL METRICS in 000's (except share amounts)	9 months ended September 2012		2011	2010	2009*
Cash and cash equivalents	\$	431	\$ 382	\$ 380	\$ 3,447
Deferred revenue	\$	182	\$ 317	\$ 3,374	\$ 4,698
Total assets	\$	7,519	\$ 6,500	\$ 7,870	\$ 13,846
Long term liabilities	\$	10,811	\$ 3,456	\$ 7,793	\$ 7,418
Revenue	\$	3,213	\$ 6,203	\$ 4,206	\$ 3,487
Operating loss	\$	(5,203)	\$ (1,765)	\$ (6,957)	\$ (11,701)
Net loss	\$	(6,433)	\$ (13,158)	\$ (8,564)	\$ (12,359)
Loss per share – basic and fully diluted	\$	(0.03)	\$ (0.14)	\$ (0.10)	\$ (0.15)
Common Shares outstanding					
- Basic		186,847,127	151,836,882	88,232,247	82,990,683
- Fully diluted		264,673,014	217,387,405	140,261,310	113,825,889

* Amounts prior to January 1, 2010 are reported using Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

5.2 QUARTERLY INFORMATION

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

Unaudited (000's, except per share amounts)	Q4 2010	Q1 2011	Q3 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Revenue	\$1,058	\$1,090	\$2,100	\$2,009	\$1,004	\$1,001	\$1,323	\$889
Expenses								
Network and Data Costs	67	45	59	53	155	300	320	308
Labour Costs	1,231	1,143	1,059	1,090	1,135	1,779	1,468	1,106
Other Operating Costs	549	548	567	527	616	595	633	1,006
Amortization	281	261	238	231	241	305	303	293
Gain on settlement of rights obligation	(447)	-	-	-	-	-	-	-
	1,681	1,997	1,923	1,901	2,147	2,979	2,724	2,713
Operating Loss	(623)	(907)	177	108	(1,143)	(1,978)	(1,401)	(1,824)
Other income/(expense)								
Interest income (expense)	(591)	(798)	(732)	(754)	(803)	(480)	(493)	(518)
Gain (loss) on sale of investment	-	-	-	-	-	-	100	(75)
Loss from debt incentive program	-	-	-	-	(8,565)	-	-	-
Income tax (expense)	-	8	249	(1)	3	-	-	236
Net loss for the period	(1,214)	(1,697)	(306)	(647)	(10,508)	(2,458)	(1,794)	(2,181)
Basic and diluted loss per share	\$(0.01)	\$(0.02)	\$(0.00)	\$(0.01)	\$(0.11)	\$(0.01)	\$(0.01)	\$(0.01)

5.3 DIVIDENDS

As of the date hereof, the Company has not paid any dividends or made any distributions on its Common Shares. The future payment of dividends or distributions will be dependent upon the financial requirements of the Company to fund ongoing operations and future growth, the financial condition of the Company and other factors that the Board of Directors may consider appropriate in the circumstances. VoodooVox is subject to certain restrictions on the declaration and payment of dividends set out in the *Business Corporations Act* (Alberta). In particular, the *Business Corporations Act* (Alberta) provides that a Company shall not declare or pay a dividend if there are reasonable grounds for believing that: (a) the Company is, or would after the payment of the dividend be, unable to pay its liabilities as they become due; or (b) the realizable value of the Company's assets would thereby be less than the aggregate of its liabilities and the stated capital of all classes of its shares.

5.4 FOREIGN GAAP

This section does not apply to the Company.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

6.1 – 6.14 ANNUAL MD&A

The Company's Annual MD&A for the year ended December 31, 2011, is attached hereto as Appendix D.

6.15 – 6.21 INTERIM MD&A

The Company's Interim MD&A for the three months ended March 31, 2012, is attached hereto as Appendix E.

The Company's Interim MD&A for the six months ended June 30, 2012, is attached hereto as Appendix F.

The Company's Interim MD&A for the nine months ended September 31, 2012, is attached hereto as Appendix G.

7. MARKET FOR SECURITIES

7.1 TRADING INFORMATION

Until January 16, 2012, the Common Shares were listed and posted for trading on the Toronto Stock Exchange ("TSX") under the trading symbol "GNE". Since January 17, 2012, the Common Shares have been listed and posted for trading on the TSX under the trading symbol "V VX". Further to TSX Bulletin 2012-0987 dated September 12, 2012, the TSX has determined to delist the Common Shares and Debentures (Symbols: V VX and V VX.DB) of the Company at the close of market on December 12, 2012 for failure to meet the continued listing requirements of the TSX.

8. CONSOLIDATED CAPITALIZATION

8.1 CHANGES IN SHARE CAPITAL

The following table sets out the changes in the Company's share capital since December 31, 2011:

(in 000's, except share data)	Common shares	Share capital	Contributed surplus
Balance at January 1, 2012	151,836,882	61,699	13,908
Net loss	-	-	-
Employee stock purchase plan	698,529	53	-
Debentures converted	24,167,773	3,598	(1,903)
Shares issued on acquisition	11,250,000	1,069	-
Shares issued on debentures	11,659,330	220	-
Advisory agreement	2,000,000	50	140
Debenture guarantee fee	405,000	10	-
Share issuance costs	-	(5)	-
Stock-based compensation	-	-	362
Balance at Listing Date	202,017,514	66,694	12,507

9. OPTIONS TO PURCHASE SECURITIES

9.1 OPTIONS OUTSTANDING

The following table sets out the Company's outstanding options at the Listing Date:

	Options Outstanding	Options Exercisable	Weighted Average Exercise Price In \$	Weighted Average Remaining Life in Years
Current and former officers and directors	14,380,000	9,500,000	0.06	3.59
Current and former employees	11,397,500	2,292,500	0.07	4.15
Current and former consultants	1,592,500	626,667	0.10	3.27
Total at Listing Date	27,370,000	12,419,167	0.07	3.80

10. DESCRIPTION OF THE SECURITIES

10.1 COMMON SHARES

As at the Listing Date, there were 202,017,514 Common Shares outstanding and the Company has distributed options, warrants and debentures that entitle the holders of such instruments to acquire additional Common Shares from the treasury of the Company.

The holders of the Common Shares are entitled to one vote per share at meetings of shareholders, to receive such dividends as may be declared by the Company and to receive the remaining property and assets of the Company upon dissolution or winding up of the Company. The Common Shares are not subject to any future calls or assessments and there are no pre-emptive, conversion or redemption rights attached to the Common Shares.

10.2 DEBT SECURITIES

On March 2, 2011, the Company distributed \$5,000,000 aggregate principal amount of convertible secured debentures in connection with a brokered private placement. The principal amount of the debentures bears interest at a rate of 12.0% per annum, payable semi-annually, and the debentures are scheduled to mature on March 2, 2015. At the option of each debenture holder, outstanding principal under the debentures may be converted into Common Shares based on a conversion price of \$0.25 per share. In addition, each debenture holder received 1,250 purchase warrants per \$1,000 principal amount of debentures. Each warrant entitles the holder to purchase one Common Share, at an exercise price of \$0.12 (subject to anti-dilution adjustments), at any time until March 2, 2013. The Company granted a security interest to the debenture holders, pursuant to a general security agreement covering all of the assets of the Company.

10.3 OTHER SECURITIES

Not Applicable.

10.4 MODIFICATION OF TERMS

This section does not apply to the Company.

10.5 OTHER ATTRIBUTES

This section does not apply to the Company.

10.7 PRIOR SALES

This section does not apply to the Company.

10.8 STOCK EXCHANGE PRICE

Until January 16, 2012, the Common Shares were listed and posted for trading on the Exchange under the trading symbol "GNE". Since January 17, 2012, the Common Shares have been listed and posted for trading on the Exchange under the trading symbol "V VX". The following table sets out the market price ranges and the aggregate volume of trading of the Common Shares on the Exchange for the months indicated:

	High (\$)	Low (\$)	Close (\$)	Volume (Common Shares)
November 2011	0.100	0.070	0.075	1,094,800
December 2011	0.115	0.065	0.115	1,235,900
January 2012	0.130	0.090	0.090	718,526
February 2012	0.105	0.075	0.100	1,385,987
March 2012	0.100	0.075	0.080	3,306,443
April 2012	0.085	0.060	0.060	845,426
May 2012	0.070	0.035	0.035	1,956,176
June 2012	0.040	0.025	0.025	1,859,572
July 2012	0.040	0.010	0.015	1,497,230
August 2012	0.020	0.015	0.015	1,261,989
September 2012	0.030	0.010	0.025	3,385,100
October 2012	0.015	0.005	0.005	15,373,908

11. ESCROWED SECURITIES

11.1 ESCROWED SECURITIES

None of the Company's outstanding securities are subject to escrow restrictions.

12. PRINCIPAL SHAREHOLDERS

12.1 PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Company, as of the date of this Listing Statement, no person beneficially owns or exercises control or direction over the Company's shares carrying more than 10% of the votes attached to the shares.

13. DIRECTORS AND OFFICERS

13.1 – 13.5 DIRECTORS AND OFFICERS

The names, municipalities of residence, positions with the Company and the principal occupations of the directors and executive officers of the Company as at the date of this Listing Statement are set out in the following table and the notes thereto.

Name	Address (municipality)	Office or Position with Company	Number of Common Shares held and % of outstanding Common Shares ⁽¹³⁾	Director Since
S. Graeme Ross ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Wainfleet, Ontario Canada	Director	177,900 (<1%)	August, 2004
Nancy Shemwell ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾	Dallas, Texas United States of America	Director	82,000 (<1%)	October, 2006
Micky Tsui ⁽¹⁾⁽²⁾⁽³⁾	Plano, Texas United States of America	Director	Nil	September, 2012
Michael Durance ⁽⁶⁾	Toronto, Ontario Canada	Director, Chief Executive Officer	5,013,277 (2.66%)	June, 2005
Alex Pekurar ⁽⁷⁾	Toronto, Ontario Canada	Chief Financial Officer	Nil	N/A

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of Governance and Nominating Committee.
- (4) Mr. Ross has been President and Director of Bovinia Inc. (a private consulting company) since 1993. Since September, 2009, Mr. Ross has been a financial advisor with Dundee Wealth in St. Catharines, Ontario.
- (5) Ms. Shemwell is currently at Principle of Renver LLC. Between May of 2009 and February of 2011, Ms. Shemwell served as President and CEO of Multi-Link, Inc., a manufacturer of linesharing and remote power rebooting equipment. Ms. Shemwell served as Executive Vice President, Global Sales and Services of Symmetricon, Inc. (a public Company involved in the generation of precise time and frequency signals used in wireline and wireless telecom networks and other applications) from September 2004 to September 2007. Ms. Shemwell served as Acquisition Partner of the Canux Group (a private company formed to purchase a division of a major telecommunications company) from 2002 to 2004.
- (6) Mr. Durance has served as Chief Executive Officer of the Company since June 2005; Vice President and General Manager at Toshiba America Information Systems in Irvine, California from December 2001 to May 2005.
- (7) Mr. Pekurar has served as Chief Financial Officer of the Company since October 2012; Controller of the Company since January 2010; Audit Manager at Collins Barrow from August 2006 to 2010.
- (8) Does not include shares issuable upon the exercise of outstanding options or other convertible securities.

The term of each director expires at the next annual meeting of shareholders of the Company.

13.6 – 13.9 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES AND SANCTIONS

To the knowledge of VoodooVox, other than as described below, no director or executive officer of the Company is, as at the date of this Listing Statement, or has been, within ten years before the date hereof, a director, chief executive officer, or chief financial officer any issuer that:

- (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days (collectively, an "Order"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of VoodooVox, no director or executive officer of the Company or shareholder holding a sufficient number of securities of VoodooVox to affect materially the control of VoodooVox:

- (iii) is, as of the date of this Listing Statement, or has been within ten years before the date hereof, a director or executive officer of any company (including VoodooVox) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (iv) has, within the ten years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of VoodooVox, no director, executive officer or shareholder holding a sufficient number of securities of VoodooVox to affect materially the control of VoodooVox has been subject to:

- (v) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (vi) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

13.10 CONFLICTS OF INTEREST

Certain of the directors of VoodooVox are also officers, directors or consultants of other companies engaged in the technology industry. As a result, situations may arise where the interests of such directors conflict with their interests as directors of other companies. The resolution of such conflicts will be governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of VoodooVox and, in the case of the *Business Corporations Act* (Alberta), VoodooVox's governing statute, that directors declare their interest in and refrain from voting on, any material contract or material transaction in which they may have a conflict of interest.

13.11 MANAGEMENT

MICHAEL DURANCE – CHIEF EXECUTIVE OFFICER AND DIRECTOR

Michael Durance, 52, has over 25 years of experience in the telecommunications and software industries. Before joining Call Genie (now VoodooVox), Mr. Durance was vice president and general manager of the Digital Solutions division of Toshiba America Information Systems. As leader and visionary of a number of business units, he was charged with bringing together Toshiba's telecommunications, imaging, hotspots, PDA and laptop technology into bundled mobility solutions. Prior to Toshiba, Mr. Durance was Corporate Vice President of the Integrated Solutions Group for ADC Telecommunications, Inc., a data transmission products company. Prior to ADC, he was SVP of Global Consulting Services, Managing Director of Asia Pacific, and Vice President of Product Management and Deployment for Saville Systems, a telecommunications software company. Prior to Saville Systems, Mr. Durance held numerous senior management and International positions at Nortel Networks.

ALEX PEKURAR – CHIEF FINANCIAL OFFICER

Alex Pekurar, 39, has over 12 years experience in the accounting and computer industries. Prior to joining Call Genie (now VoodooVox) as Controller in January 2011, Mr. Pekurar was an Audit Manager at Collins Barrow. Mr. Pekurar has a Bachelor of Applied Science in Computer Engineering from the University of Toronto and a Master of Management and Professional Accounting from the Rotman School of Management at the University of Toronto.

GENE COHEN – SVP OPERATIONS

Gene Cohen, 46, is a pioneer in network convergence, having spent 20 years in data and voice communications services. He has played a leadership role in several telecommunications companies since graduating from MIT in 1987 including Brooktrout Technology, Inc., Graphnet Inc., IPX Inc., and Xcellity Inc. As the Director of R&D at Graphnet Inc, Mr. Cohen created an enhanced facsimile messaging switching service that became the leading solution for the banking/brokerage community for rapid fax message delivery. The solution was so successful that it was licensed to carriers and PTTs in 15 countries. As CTO of IPX Inc., Mr. Cohen created a VoIP clearinghouse services network on 3 continents supporting 150 carriers in just 2 years.

TONY PHILIPP – SVP SALES AND MARKETING

Tony Philipp, 51, was formerly the CEO of UpSnap, a leader in mobile entertainment and advertising services, which was recently acquired by VoodooVox. Leveraging his experience in the online search industry, Mr. Philipp has been at the forefront in the development of search, interactive advertising, and content delivery in the mobile space since 1999 and has served since inception as a Board Member of the Charlotte Interactive Marketing Association. In 2008, Mr. Philipp successfully completed a merger and management buy-out of the NASDAQ traded Upsnap Inc. Previously, Mr. Philipp successfully grew several Internet companies to significant revenues including Lycos Europe, Vivisimo and Magellan. He is the former chief operating officer of Lycos Europe (IPO 2000 \$5 billion) and has also served as advisor or board member to Mobileway (largest global SMS aggregator in the world, sold to Sybase for \$400 M), Mobile Commerce, and Motricity and has been responsible for strategic partnerships with several media companies, including: Disney, Overture/Yahoo, Bertelsmann, AOL, Grolier, etc. Mr. Philipp holds a Bachelor of Science degree from Clemson University, a master of International Business (MBA) from the University of South Carolina, and was a Fulbright Scholar at the University of Cologne (Germany).

14. CAPITALIZATION

14.1 ISSUED CAPITAL

	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
Public Float				
Total outstanding (A)	202,017,514	274,875,514	100	100
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	29,920,813	43,798,813	15	16
Total Public Float (A-B)	172,096,728	231,076,701	85	84
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	-	-	-	-
Total Tradeable Float (A-C)	172,096,728	231,076,701	85	84

PUBLIC SECURITYHOLDERS (REGISTERED)

Size of Holding	Number of holders	Total number of securities
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	2	1,157
1,000 – 1,999 securities	3	3,000
2,000 – 2,999 securities	2	4,367
3,000 – 3,999 securities		0
4,000 – 4,999 securities		0
5,000 or more securities	70	202,008,990
	77	202,017,514

The Company maintains a mailing list of its current shareholders. As at the Listing Date the mailing list contained contact information for 871 shareholders.

14.2 CONVERTIBLE SECURITIES

COMMON SHARES

Description of Security	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Stock Options ⁽¹⁾	27,370,000	27,370,000
Share Purchase Warrants	22,511,000	22,511,000
Convertible Debentures	5,585	19,330,000
Broker Warrants	637.25	3,647,000

14.3 SECURITIES RESERVED FOR ISSUANCE

This section does not apply to the Company.

15. EXECUTIVE COMPENSATION

15.1 STATEMENT OF EXECUTIVE COMPENSATION

The following table sets out the total compensation paid to each executive of the Company in US \$:

Name and Principal Position	Year*	Salary	Option-based Awards	Incentive Plans	All Other Compensation	Total Compensation
Michael Durance, CEO	2012	193,875	110,900	Nil	Nil	304,775
	2011	243,231	40,250	Nil	Nil	283,481
	2010	237,705	28,140	Nil	Nil	265,845
Alex Pekurar, CFO	2012	85,465	25,255	Nil	Nil	110,720
	2011	89,600	1,984	Nil	Nil	91,584
	2010	Nil	Nil	Nil	Nil	Nil
Gene Cohen, SVP Operations	2012	175,783	97,603	Nil	Nil	273,386
	2011	Nil	Nil	Nil	Nil	Nil
	2010	Nil	Nil	Nil	Nil	Nil
Tony Philipp, SVP Sales and Marketing	2012	138,201	73,495	Nil	Nil	211,696
	2011	25,000	15,175	Nil	Nil	40,175
	2010		Nil	Nil	Nil	Nil
Eyal Rimmon, VP Data Analytics	2012	133,750	67,286	Nil	Nil	201,036
	2011	Nil	Nil	Nil	Nil	Nil
	2010	Nil	Nil	Nil	Nil	Nil

*For the eleven months ended November 30, 2012

COMPENSATION DISCUSSION AND ANALYSIS

In assessing the compensation of its executive officers, the Company does not have in place any formal objectives, criteria or analysis; instead, it relies mainly on Board discussion.

The Company's executive compensation program has three principal components: base salary, incentive bonus plan and stock awards or options. Base salaries for all employees of the Company will be established for each position through comparative information relative to regional market pay, along with the competencies and skills of the individuals. Incentive bonuses are designated to add a variable component of compensation based on corporate and individual performances for executive officers and employees. No bonuses have been paid to executive officers; however, sales personnel have received incentive bonuses in the form of sales commissions earned based on their individual commission plans.

The Company has no other forms of compensation, although payments may be made from time to time to individuals or companies they control for provision of consulting services. Such consulting services are paid for by the Company at competitive industry rates for work of a similar nature by reputable arm's length services providers.

OPTION-BASED AWARDS

Stock options are granted to provide an incentive to the directors, officers, employees and consultants of the Company to achieve the longer-term objectives of the Company; to give suitable recognition to the ability

and industry of such persons who contribute materially to the success of the Company; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Company. The Company awards stock options to its executive officers and its employees, based upon the Board's review of a proposal from the CEO. Previous grants of incentive stock options are taken into account when considering new grants.

DIRECTOR COMPENSATION

Directors of the Company do not receive any fees for serving on the board of directors; however, they can be issued option-based awards. The following table discloses option-based awards made to directors for the eleven months ended November 30, 2012:

Name of Director	Option-based Awards (\$)
S. Graeme Ross	15,010
Nancy Shemwell	15,010
Richard DeVries	20,565
Micky Tsui	7,000
Nick Fader	10,860
Dan Gatti	6,710

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

16.1 AGGREGATE INDEBTEDNESS

None of the executive officers or directors of the Company, or associates or affiliates of such persons:

- (a) are or have been indebted to the Company at any time; or
- (b) are or have been indebted to another entity at any time where that indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar.

16.2 INDEBTEDNESS OF DIRECTORS AND OFFICERS

This section does not apply to the Company.

17. RISK FACTORS

17.1 – 17.3 RISK FACTORS RELATING TO THE BUSINESS OF THE CORPORATION

In addition to the other information contained in this AIF, readers should give careful consideration to the following risk factors, which should be read in conjunction with the detailed information and risk factors appearing elsewhere in this Filing Statement. Any of the matters highlighted in these risk factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that the Company is not aware of, or that are currently deemed immaterial, may also impair the Company's business results of operations and financial condition.

An investment in and ownership of Common Shares should be considered highly speculative due to the nature of VoodooVox's business, its current stage of development and the Company's requirement for additional financing.

SUBSTANTIAL CAPITAL REQUIREMENTS; LIQUIDITY; GOING CONCERN

Because of the costs associated with further development of VoodooVox's technology and business, and the fact that VoodooVox's ability to generate revenue will depend on a variety of factors (including the ability of VoodooVox to meet its development schedule and consumer and merchant acceptance of VoodooVox technologies), additional funds are required to support VoodooVox's business. VoodooVox has accumulated a substantial deficit and currently has a significant working capital deficiency. 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 VoodooVox) or may result in significant dilution to VoodooVox shareholders or significant interest obligations. The inability to obtain additional funds may have a material adverse effect on VoodooVox's business, results of operations, and financial condition.

NO RECORD OF PROFIT

VoodooVox has incurred significant losses to date, and there can be no assurance that the future business activities of VoodooVox will be profitable. Since its organization, VoodooVox has incurred costs to develop and enhance its technology, to establish strategic relationships, to acquire complementary technologies and to build administrative support systems. VoodooVox has incurred negative operational cash flow to date. VoodooVox incurred losses from operations of \$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. VoodooVox'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 VoodooVox 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 VoodooVox's business, results of operations and financial condition.

DEVELOPING MARKET

VoodooVox is engaged in the development and marketing of solutions and services that are relatively new and, as such, the primary market for VoodooVox'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 VoodooVox 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 VoodooVox's business, results and financial condition.

THIRD PARTY TECHNOLOGY

In providing its solutions and services, VoodooVox is, and will continue to be, dependent on technologies and infrastructure that are beyond VoodooVox's control, including landline and cellular telephone networks, directory databases and speech recognition and text-to-speech applications. There can be no assurance that if weaknesses or errors in third party software or hardware are detected, VoodooVox will be able to correct or compensate for such weaknesses or errors. If VoodooVox 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, VoodooVox'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 VoodooVox. If VoodooVox is unable to obtain third party technology on acceptable terms, VoodooVox'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 VoodooVox to adapt to such change may have an adverse effect on VoodooVox's business, results of operations and financial condition. The effect of new developments and technological changes on the business sector in which VoodooVox 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 data analytics in advertising, consumer backlash resulting from the collection and use of demographic intelligence, clients' ability to execute and industry consolidation. VoodooVox's failure to adapt to any of the above could have a material adverse effect on VoodooVox's business, results of operations and financial condition.

COMPETITION

VoodooVox is subject to competition from other organizations (many of which have substantially greater human and financial resources) and there can be no assurance that VoodooVox 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, call analytics and ad network arrangements. The inability of VoodooVox to preserve existing customers and secure additional customers due to competitive technologies will have a material adverse effect on VoodooVox'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 VoodooVox.

NEED FOR RESEARCH AND DEVELOPMENT

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

PATENTS AND OTHER INTELLECTUAL PROPERTY

While VoodooVox 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 VoodooVox. Any patents covering elements of the VoodooVox technology granted to third parties (or the inability of VoodooVox to successfully challenge such patents) may impair VoodooVox'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.

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

VoodooVox 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 VoodooVox may incur substantial costs as a result. Any claims or litigation initiated by VoodooVox to protect its intellectual property could result in significant expense to VoodooVox and diversion of the efforts of VoodooVox's technical and management resources, whether or not the claims or litigation are determined in favor of VoodooVox.

ABILITY TO MANAGE GROWTH

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

PERSONNEL RESOURCES

VoodooVox 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 VoodooVox 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

VoodooVox 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 VoodooVox'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 VoodooVox's business, results of operations and financial condition.

RISK OF INDUSTRY CONSOLIDATION

VoodooVox'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, VoodooVox 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 VoodooVox's business, results of operations and financial conditions.

GOVERNMENT REGULATION

The marketplace within which VoodooVox operates is in constant flux in relation to government regulation. Areas being regulated include regulation relating to call handling, privacy, 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 VoodooVox's business, results of operations and financial condition.

COSTS ASSOCIATED WITH COMPLIANCE WITH SECURITIES LAWS

VoodooVox is a publicly traded Company and is subject to all of the obligations imposed on "reporting Corporations" 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 VoodooVox's business, results of operations and financial condition. If VoodooVox is unable to generate significant revenues from business operations, the cost of complying with applicable regulatory requirements will represent a significant financial burden to VoodooVox and may have a material adverse effect on VoodooVox's business, results of operations and financial condition.

18. PROMOTERS

18.1 PROMOTERS

The Company has contracted with 612890 B.C. Ltd., owned by Alex Blodgett, for investor relations services. A copy of the contract is attached as Appendix H.

18.2 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES AND SANCTIONS

While Mr. Blodgett was a director of Winchester Minerals and Gold Exploration Ltd. ("Winchester Minerals") (formerly Rhona Online.com Inc.), a cease trading order was issued against Winchester Minerals by the British Columbia Securities Commission ("BCSC") on June 12, 2003 for failure to file financial statements and was revoked on September 10, 2003. A cease trading order was issued against Winchester Minerals by the Alberta Securities Commission on (the "ASC") August 1, 2003 for failure to file financial statements and was revoked on September 12, 2003.

While Mr. Blodgett was a director of Galaxy, Galaxy was made subject to a cease trade order dated January 8, 2003 issued by the BCSC for failure to file interim financial statements for the nine month period ended September 30, 2002, as required under section 144(1) of the *Securities Rules*, and a quarterly report for the period ended September 30, 2002, as required under section 152 of the *Securities Rules*. Further, Galaxy submitted a proposal pursuant to the *Bankruptcy and Insolvency Act*, dated October, 2002, and has subsequently been liquidated. On June 23, 2003, Galaxy's common shares were delisted from the TSX Venture Exchange, due to the Company's failure to pay its sustaining fees and file annual financial statements within the prescribed period of time.

Mr. Blodgett joined the board of directors of Black Tusk Energy Inc. ("Black Tusk") in June 2000 with the objective of trying to rationalize the business and turn it around. While Mr. Blodgett was a director of Black Tusk, Black Tusk was advised, on September 28, 2001, by the BCSC that it was delinquent for the annual financial statements dated April 30, 2001. On October 12, 2001, the BCSC advised Black Tusk that it was delinquent for the annual financial statements dated April 30, 2001 and the interim financials dated July 31, 2001. On November 2, 2001, the trading of Black Tusk's shares was suspended by the CDNX, as a cease trading order had been issued by the BCSC on November 1, 2001 due to Black Tusk's failure to file a comparative financial statement for April 30, 2001, an interim financial statement for July 31, 2001 and the quarterly reports ended April 30, 2001 and July 31, 2001. On November 23, 2001, the ASC ordered that trading cease in the securities of the Black Tusk, due Black Tusk's failure to file certain required financial information. On July 4, 2002, Black Tusk's common shares were delisted from the TSX Venture Exchange, due to Black Tusk's failure to pay its sustaining fees and file annual financial statements within the prescribed period of time.

In 2005, the ASC conducted an investigation into allegations that, among others, Mercury Partners breached the Alberta securities laws respecting control persons, insiders, and takeover bids, and acted contrary to the public interest. Mercury Partners (subsequently renamed Black Mountain Capital Company) entered into a settlement agreement with the ASC. Pursuant to the settlement agreement, Mercury Partners agreed to pay the ASC \$40,000 and an additional \$10,000 in partial satisfaction of the investigation costs to resolve the matter. Mr. Blodgett was a director of Mercury Partners at the commencement of the investigation.

On July 3, 2003, Cybersurf Corp. (the "Plaintiff") commenced a civil action in the Alberta Court of Queen's Bench against, among others, Mercury Partners and Alex W. Blodgett, (collectively, the "Defendants"), alleging, among other things, that the Defendants participated in an attempted illegal takeover of Cybersurf. Mercury Partners entered into a settlement agreement on or about March 24, 2005. The company did not admit to any liability or wrong doing.

19. LEGAL PROCEEDINGS

19.1 LEGAL PROCEEDINGS

The Company is not aware of any legal proceedings to which the Company is a party.

19.2 REGULATORY ACTIONS

The Company is not aware of any regulatory actions.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

20.1 INTEREST OF MANAGEMENT

From 2009 to 2012, the current directors and officers of the Company purchased \$1,120,000 aggregate principal amount of non-convertible debt and \$195,000 aggregate principle amount of convertible debt, respectively in connection with private placement transactions undertaken by the Company. A portion of the proceeds of the financing completed in March 2011 were used to repay non-convertible debentures issued in November of 2010 of which an officer of the Company had purchased \$100,000. Also during the year ended December 31, 2011, these directors and officers received \$182,000 of interest in accordance with the terms of the applicable debt instruments. As part of the Incentive Program, directors and officers converted \$195,000 aggregate principal amount of debentures and accrued but unpaid interest into a total of 2,186,989 Common Shares. In addition, certain debentures issued by the Company in 2010 have been secured with assets made available by the Chairman of the Board of Directors of the Company. Other than the foregoing, there are no material interests, direct or indirect, of any director, executive officer, person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years, or during the current financial year, that has materially affected or is reasonably expected to materially affect the Company.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 AUDITORS

The Company's auditor is Ernst & Young LLP.

21.2 TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's Common Shares is Computershare Trust Company of Canada at its principal offices in Toronto, Ontario.

22. MATERIAL CONTRACTS

22.1 MATERIAL CONTRACTS

There are no material contracts, other than contracts entered into in the ordinary course of business, which are material to VoodooVox (involving the Company or any of its affiliates) and were entered into during the most recently completed financial year, or entered into before the most recently completed financial year, but still in effect.

23. INTEREST OF EXPERTS

23.1 DIRECT OR INDIRECT INTEREST

There are no interests of experts. The consolidated financial statements of the Company as at and for the year ended December 31, 2011, have been audited by Ernst & Young LLP. Ernst & Young LLP. have advised VoodooVox that they are independent in accordance with the auditors' rules of professional conduct applicable in Ontario.

23.2 BENEFICIAL OWNERSHIP

This section does not apply to the Company.

23.3 ONE PERCENT OWNERSHIP

This section does not apply to the Company.

23.4 DIRECTOR APPOINTMENTS

This section does not apply to the Company.

24. OTHER MATERIAL FACTS

24.1 MATERIAL FACTS

There is no other material fact about the Issuer and its securities that are not disclosed under the preceding items and are necessary in order for the Listing Statement to contain full, true and plain

25. FINANCIAL STATEMENTS

25.1 AUDITED FINANCIAL STATEMENTS

A copy of the Company's audited financial statements for the years ended December 31, 2011, 2010, and 2009 are attached as Appendix A, B and C.

26. APPENDIX A: 2011 AUDITED FINANCIAL STATEMENTS

**VoodooVox Inc. (formerly Call Genie Inc.)
Consolidated Financial Statements
For the years ended December 31, 2011 and 2010**

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Independent Auditors' Report

To the Shareholders of VoodooVox Inc. (formerly Call Genie Inc.)

We have audited the accompanying consolidated financial statements of **VoodooVox Inc. (formerly Call Genie Inc.)**, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **VoodooVox Inc. (formerly Call Genie Inc.)** as at December 31, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates that the Company has accumulated a deficit amounting to \$79,242,000 for the period from incorporation to December 31, 2011 and as of that date has a working capital deficiency of \$5,498,000. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Toronto, Canada
March 30, 2012

/s/ Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

VoodooVox Inc. (formerly Call Genie Inc.)
Consolidated Statements of Operations and Comprehensive Loss

(In thousands of Canadian dollars, except share data)

Years ended December 31	Note	2011	2010
Operating revenue		6,203	4,206
Operating expenses:			
Network and data costs		(312)	(619)
Labour costs		(4,427)	(5,999)
Other operating costs	9	(2,258)	(2,415)
Amortization		(971)	(1,470)
Impairment of intangible asset	5	-	(1,107)
Gain on settlement of rights obligation	6	-	447
Operating income		(1,765)	(6,957)
Loss attributed to debt conversion incentive program	7(h)	(8,565)	-
Interest and accretion on debentures	9	(3,087)	(1,611)
Income before income taxes		(13,417)	(8,568)
Recovery of income taxes	10	259	4
Net loss and comprehensive loss for the period		(13,158)	(8,564)
Earnings per share			
Basic and diluted loss per share		\$ (0.14)	\$ (0.10)
Weighted average number of shares outstanding – basic and diluted		93,008,892	84,630,000

The accompanying notes are an integral part of the Consolidated Financial Statements
3 – APPENDIX A: 2011 Audited Financial Statements

VoodooVox Inc. (formerly Call Genie Inc.)
Consolidated Statements of Financial Position

(In thousands of Canadian dollars, except share data)
(See Continuance of Operations – Note 1)

As at	Note	December 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets:				
Cash and cash equivalents	3	382	380	3,447
Accounts receivable		682	1,697	1,732
Prepaid expenses and deposits		117	128	241
		<u>1,181</u>	<u>2,205</u>	<u>5,420</u>
Non-current assets:				
Restricted cash		-	-	122
Property and equipment	4	105	228	603
Goodwill	16	2,281	2,211	2,211
Intangible assets	5	2,933	3,226	5,411
		<u>6,500</u>	<u>7,870</u>	<u>13,767</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	9	1,404	1,618	1,973
Current portion of deferred revenue		317	2,987	3,187
Current portion of debentures	7	4,491	1,276	-
Current portion of other liabilities	6	172	342	21
Income taxes payable		295	561	561
		<u>6,679</u>	<u>6,784</u>	<u>5,742</u>
Non-current liabilities:				
Deferred revenue		-	387	1,511
Debentures	7	3,424	7,324	5,028
Other liabilities	6	32	82	879
		<u>10,135</u>	<u>14,577</u>	<u>13,160</u>
Shareholders' equity (deficiency):				
Share capital		61,699	51,786	51,183
Contributed surplus		13,908	7,591	6,944
Deficit		<u>(79,242)</u>	<u>(66,084)</u>	<u>(57,520)</u>
		<u>(3,635)</u>	<u>(6,707)</u>	<u>607</u>
		<u>6,500</u>	<u>7,870</u>	<u>13,767</u>

These consolidated financial statements are authorized for issue by the Board of Directors on March 29, 2012. They are signed on the Company's behalf by:

"signed" Director
Richard DeVries

"signed" Director
S. Graeme Ross

The accompanying notes are an integral part of the Consolidated Financial Statements
4 – APPENDIX A: 2011 Audited Financial Statements

VoodooVox Inc. (formerly Call Genie Inc.)
Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars, except share data)

	Note	Common shares	Share capital	Contributed surplus	Deficit	Shareholders' deficit
Balance at January 1, 2011		88,232,247	51,786	7,591	(66,084)	(6,707)
Net loss		-	-	-	(13,158)	(13,158)
Employee stock purchase plan	8(b)	331,928	34	-	-	34
Shares for rent agreement	8(b)	1,826,692	240	-	-	240
Options exercised	8(e)	328,334	43	(18)	-	25
Warrants exercised	8(c)	1,040,000	310	(97)	-	213
Equity component on debentures	7(g) 8(d)	-	-	1,350	-	1,350
Broker shares	7(g)	150,000	25	-	-	25
Debentures converted	7(h)	44,427,681	7,897	4,786	-	12,683
Shares issued in private placement	8(b)	12,000,000	1,200	-	-	1,200
Share issue costs	8(b)	500,000	(121)	-	-	(121)
Shares issued on acquisition	16	3,000,000	285	47	-	332
Stock-based compensation	8(e)	-	-	249	-	249
Balance at December 31, 2011		151,836,882	61,699	13,908	(79,242)	(3,635)

	Note	Common shares	Share capital	Contributed surplus	Deficit	Shareholders' deficit
Balance at January 1, 2010		82,990,683	51,183	6,944	(57,520)	607
Net loss		-	-	-	(8,564)	(8,564)
Employee stock purchase plan	8(b)	180,199	23	-	-	23
Shares for rent agreement	8(b)	2,891,865	360	-	-	360
Options exercised	8(e)	52,500	7	-	-	7
Shares on debentures	7(e)	2,117,000	213	-	-	213
Warrants on debentures	7(c)(e)8(d)	-	-	290	-	290
Extension of warrants	8(c)	-	-	45	-	45
Equity component on debentures	7(c)	-	-	2	-	2
Stock-based compensation	8(e)	-	-	310	-	310
Balance at December 31, 2010		88,232,247	51,786	7,591	(66,084)	(6,707)

VoodooVox Inc. (formerly Call Genie Inc.)
Consolidated Statements of Cash Flows

(In thousands of Canadian dollars, except share data)

For the years ended December 31	Note	2011	2010
Cash flows from operating activities:			
Loss before income taxes for the period		(13,417)	(8,568)
Adjustments for:			
Stock-based compensation	8(e)	249	291
Amortization of property, equipment and intangible assets		971	1,470
Shares for rent agreement	8(b)	240	360
Interest on debentures		1,676	904
Accretion on debentures		1,411	642
Amortization of lease inducement		21	21
Impairment of intangible assets		-	1,107
Gain on settlement of debt		-	(447)
Loss attributed to debt conversion incentive program	7(h)	8,565	-
Income tax recovered		6	4
		(278)	(4,216)
Changes in non-cash working capital balances:			
Accounts receivable		1,066	35
Prepaid expenses and deposits		11	113
Accounts payable and accrued liabilities		(727)	(563)
Deferred revenue		(3,057)	(1,323)
		(2,985)	(5,954)
Cash flows from financing activities:			
Issuance of common shares, net of issuance costs		1,317	164
Proceeds from debt issuance, net of issuance costs		4,804	3,291
Restricted cash held for interest payments		-	122
Extension of founder's warrants		-	45
Repayment of debentures		(1,500)	-
Interest paid		(1,517)	(718)
		3,104	2,904
Cash flows from investing activities:			
Purchase of property and equipment		(7)	(10)
Purchase of intangible assets		-	(7)
Purchase of investments	9	(350)	-
Sale of investments	9	350	-
Upsnap acquisition	16	(110)	-
		(117)	(17)
Net increase (decrease) in cash and cash equivalents		2	(3,067)
Cash and cash equivalents, beginning of year		380	3,447
Cash and cash equivalents, end of year		382	380

The accompanying notes are an integral part of the Consolidated Financial Statements
6 – APPENDIX A: 2011 Audited Financial Statements

December 31, 2011 and 2010

VoodooVox Inc. (formerly Call Genie Inc.)
Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

1. Nature of Operations and Continuance of Operations

VoodooVox Inc. (formerly Call Genie Inc.) (the "Company" or "VVX") was incorporated under the laws of Canada on October 17, 2000 and was continued into Alberta on February 5, 2003. The Company is domiciled in Canada and the head office is located at 325 Milner Ave., Toronto, Ontario, Canada. On August 17, 2004, the Company amalgamated with GRD Enterprises Inc. with VVX being the surviving entity.

The Company is a provider of local mobile search and advertising solutions. These solutions enable directory publishers, directory assistance providers and wireless carriers to increase revenue by offering a localized, mobile search capability that connects consumers with merchants. VVX created its product suite as a way to connect companies with voice and data traffic to companies that have monetizable content. This ecosystem provides a new revenue stream to both the carrier and content provider while providing consumers with relevant local merchant content.

The consolidated financial statements have been prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company began commercial operations on October 17, 2000 and, to December 31, 2011, has accumulated a deficit amounting to \$79,242. The Company has a working capital deficiency of \$5,498 at December 31, 2011.

The Company's future operations are dependent upon its ability to secure additional funds or secure sales contracts (or both), which provide the Company with adequate funds to cover the cash flows projected for the fiscal 2012 year. If the Company does not secure such contracts, or if it cannot secure additional financing, the Company will have to consider additional strategic alternatives which may include, among other strategies, exploring the monetization of certain intangible assets, modification of planned operating expenditures, or 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 substantial doubt as to the Company's ability to continue as a going concern. These 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.

2. Summary of Significant Accounting Policies

(a) Statement of compliance and conversion to International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee. These are the Company's first annual consolidated financial statements presented in accordance with IFRS. Previously, the Company prepared financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The adoption of IFRS resulted in changes to the Company's accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at January 1, 2010 (the "Transition Date") except for the application of certain mandatory exceptions and optional exceptions as required or permitted by IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The effect of the transition from Canadian GAAP to IFRS is discussed in Note 15.

December 31, 2011 and 2010

VoodooVox Inc. (formerly Call Genie Inc.)
Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

2. Summary of Significant Accounting Policies (continued)

(b) Basis of preparation

The Company prepares its financial statements on a historical cost basis, except for certain financial instruments measured at fair value as described in the accounting policies below.

(c) Principals of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated on consolidation.

(d) Use of estimates and key judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates in the future. The most significant estimates include but are not limited to the following:

Arrangements with multiple deliverables

In revenue arrangements including more than one deliverable, the deliverables are assigned to one or more separate units of accounting and the arrangement consideration is allocated to each unit of accounting based on its relative fair value. Determining the fair value of each deliverable can require complex estimates due to the nature of the services provided. The Company generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis after considering volume discounts where appropriate.

Contract accounting

When the delivery of multiple services and products involves significant production, modification or customization of software, the Company applies contract accounting. Revenue from long-term contracts is recognized using the percentage of completion method. The Company uses input measures (e.g., costs incurred) to estimate the amount of revenue to recognize.

Asset impairment

The process of testing for impairment begins with the identification of the appropriate asset or cash-generating unit ("CGU") for purposes of impairment testing. Identification and measurement of impairment is based on the asset's recoverable amount, which is the higher of its fair value less costs to sell and value in use. Value in use is generally based on an estimate of discounted future cash flows using an appropriate discount rate. Fair value is estimated as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The Company is considered a single CGU and the fair value of the Company as a whole is based on the market capitalization of the Company's shares using an appropriate control premium. The Company performed its annual impairment test as at October 1st.

Useful lives of property and equipment and finite-life intangible assets

Property and equipment and finite-life intangible assets represent a significant proportion of our total assets. Changes in technology or our intended use of these assets as well as changes in business prospects or economic and industry factors may cause the estimated useful lives of these assets to change. We review estimates of the useful lives of property and equipment and finite-life intangible assets on an annual basis and adjust depreciation or amortization on a prospective basis, if necessary.

(In thousands of Canadian dollars, except share data)

2. Summary of Significant Accounting Policies (continued)

Income taxes

The calculation of income taxes requires judgment in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company's tax filings are also subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities.

Deferred tax assets and liabilities require management's judgment in determining the amounts to be recognized. In particular, judgment is required when assessing the timing of reversal of temporary differences to which future income tax rates are applied. Further, the amount of deferred tax assets, which is limited to the amount that is more likely than not to be realized, is estimated with consideration given to the timing, sources and amounts of future taxable profit.

Stock-based compensation

Determining the fair value of equity-settled stock-based compensation awards at the grant date requires judgment, including estimating the expected term of stock options, the expected volatility of the Company's stock and expected dividends. In addition, judgment is required to estimate the number of stock-based awards that are expected to be forfeited.

Business combinations

The amount of goodwill initially recognized as a result of a business combination and the determination of the fair value of the identifiable assets acquired and the liabilities assumed is based, to a considerable extent, on management's judgement.

Convertible Debentures

Convertible debentures are accounted for in accordance with their substance and are presented in their component parts of debt and equity. The Company estimates the fair value of the debt component of convertible debentures by calculating the discounted cash flows of the debenture using an effective interest rate of a similar instrument but without the conversion feature. Similar instruments may have certain features that, while similar, may differ, such as the term, amount, security, and credit risk, and therefore management are required to exercise significant judgement in determining an appropriate discount rate.

(e) Translation of foreign currencies

Items included in the consolidated financial statements of the Company and each of its subsidiaries are measured using the currency of the primary economic environment in which the individual entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and all of its subsidiaries.

Foreign currency transactions are generally translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities are translated at period-end exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in operations in the period in which they arise.

December 31, 2011 and 2010

VoodooVox Inc. (formerly Call Genie Inc.)
Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

2. Summary of Significant Accounting Policies (continued)

(f) Classification of financial instruments

Financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, trade and other receivables, available-for-sale financial assets and other financial liabilities. Financial instruments that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Transaction costs on financial instruments classified as held-for-trading are expensed as incurred. Transaction costs related to trade and other receivables and available-for-sale financial assets are included in the carrying amounts of the financial instruments and amortized over the life of the instrument by the effective interest rate method.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits that are readily convertible into a known amount of cash.

(h) Property and equipment

Property and equipment are recorded at cost, less accumulated amortization and any recognized impairment loss. The Company reviews the estimated useful lives of property and equipment on an annual basis and adjusts amortization on a prospective basis, if needed. Amortization is provided on a straight-line basis over the following estimated useful lives of the assets:

Leasehold improvements	Term of the lease
Furniture and equipment	5 years
Computer hardware	3 years

(i) Leases

Leases are classified as either finance or operating. Leases that transfer substantially all of the risks and rewards of ownership of a property to the Company are accounted for as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased equipment and the present value of the minimum lease payments. Equipment acquired under a finance lease is amortized over the shorter of the period of expected use on the same basis as other similar property and equipment and the lease term.

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Rental payments under operating leases are expensed to operations on a straight-line basis over the term of the lease.

(j) Lease inducements

Lease inducements comprise free rent and leasehold improvement incentives. Lease inducements are deferred and amortized to rent expense on a straight-line basis over the term of the related lease.

December 31, 2011 and 2010

VoodooVox Inc. (formerly Call Genie Inc.)
Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

2. Summary of Significant Accounting Policies (continued)

(k) Intangible assets

Intangible assets are recorded at cost less accumulated amortization and less any recognized impairment loss. The Company reviews the estimated useful lives on an annual basis and adjusts amortization on a prospective basis, if needed. Amortization is provided on a straight-line basis over the following estimated useful lives of the assets:

Acquired technology	5-7 years
Customer lists	7 years
Rights license	3 years
Software licenses	1 year

The Company does not hold any indefinite life intangible assets.

(l) Impairment of long-lived assets

Property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is estimated as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated pre-tax future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(m) Goodwill

Goodwill, being the excess of the purchase price over the assigned values of the net assets acquired, is stated at cost. The Company's goodwill is not amortized, but is tested for impairment at least annually in the fourth quarter. Goodwill is tested for impairment between annual tests when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying amount. Goodwill is allocated to a CGU or group of CGUs for the purpose of impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Goodwill impairment is assessed based on the comparison of the recoverable amount of the asset to its carrying value. The recoverable amount is the higher of a CGU's or group of CGUs' fair value less costs to sell and value in use. In assessing value in use, the estimated pre-tax future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU for which the estimates of future cash flows have not been adjusted.

(n) Income taxes

Income tax expense comprises current and deferred taxes. Tax expense is recognized in the consolidated statement of operations and comprehensive loss, except to the extent that it relates to items recognized directly in equity, in which case the tax is recognized in equity.

A current or long-term tax asset or liability is the estimated tax receivable or payable on taxable earnings for the current and past periods, inclusive of any possible effect that could arise from a review by the tax authorities.

2. Summary of Significant Accounting Policies (continued)

A deferred tax asset or liability is tax recoverable or payable in future periods as a result of past transactions or events. The Company uses the liability method to account for deferred tax assets or liabilities, which arise from temporary differences between the carrying amount of assets and liabilities recognized in the consolidated statement of financial position and their corresponding tax basis, or from the carryforward of unused tax losses and credits. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets are reviewed at each consolidated statement of financial position date and amended to the extent that it is no longer probable that the related tax benefit will be realized.

(o) Convertible debentures

Convertible debentures are accounted for in accordance with their substance and are presented in their component parts of debt and equity. The debt component is measured at the present value of the cash payments of interest and principal due over the term of the debentures using interest rates of comparable non-convertible debt. The difference between the face value of the debentures and the debt component value is allocated to the equity component. When the convertible debentures are distributed in conjunction with warrants, the fair value of the warrants is estimated using the Black-Scholes option valuation model.

Financing costs are allocated proportionally to the debt component and the equity component. The debt component, net of its proportional financing costs, is accreted to its face value through an interest charge over its term to maturity using the effective interest rate method. Upon conversion of the debentures, the debt portion related to the principal amount of debt converted is recognized as a change to shareholders' equity (deficiency).

(p) Earnings per share

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share consider the dilutive effect of the exercise of outstanding stock options, warrants and the conversion of convertible debentures, as if the events had occurred at the beginning of the year or at a time of issuance, if later. The treasury stock method is used to determine the dilutive effect of stock options and warrants. As the effect of all outstanding stock options, warrants and convertible debentures is anti-dilutive during a year when the Company incurs a loss, diluted earnings per share do not differ from basic earnings per share.

(q) Revenue recognition

The Company enters into arrangements of three broad categories: (i) recurring multi-year service-oriented hosting arrangements, (ii) software license arrangements which include the provision of software licenses, implementation services and post-contract support, and (iii) services. Revenue from these arrangements is recognized when earned, specifically when all the following conditions are met: software licenses are delivered and services are provided (or either of them), there is clear evidence that an arrangement exists, amounts can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

The Company offers certain products and services as part of multiple deliverable arrangements. The Company divides multiple deliverable arrangements into separate units of accounting. Components of multiple deliverable arrangements are separately accounted for provided the delivered elements have standalone value to the customers and the fair value of any undelivered elements can be objectively and reliably determined. Consideration for these units is measured and allocated amongst the accounting units based upon their fair values and the Company's relevant revenue recognition policies are applied to them.

(In thousands of Canadian dollars, except share data)

2. Summary of Significant Accounting Policies (continued)

When the delivery of multiple services and products involves significant production, modification or customization of software, the Company applies contract accounting. Revenue from long-term contracts is recognized using the percentage-of-completion method based on a zero profit margin using input measures (e.g., costs incurred). Revenue is only recognized using the percentage-of-completion method where it is probable that the contract will be profitable.

The timing of revenue recognition sometimes differs from the contract payment schedule, resulting in revenues that have been earned but not billed. These amounts are recorded as unbilled contract revenue. Amounts billed in accordance with customer contracts but not yet earned are deferred and recorded as revenue in the period earned.

Hosting arrangements

The Company enters into hosting arrangements under which the underlying software is maintained and operated in Company data centre facilities. The Company earns transaction automation fees, system maintenance fees, hosting fees and, in some cases, a share of customer advertising revenue from the service provided to the customer. The Company may also earn advertising revenue directly from advertising partners. Advertising revenue is recorded net of any revenue share portion retained by, or paid to, advertising sources or partners. Revenues for the fixed portion of these fees are recognized ratably over the contract period, while revenues for the variable portion of these fees are recognized as earned. In addition, the Company may charge fees for implementation or set-up in connection with the service provided. These fees are recognized ratably over the term of the contract, commencing upon completed delivery of the implementation and integration services.

Software license arrangements

The Company also offers complete solutions integrated into the customers' data centres. These solutions may involve the delivery of multiple services and products, such as license fees, implementation fees and maintenance fees, occurring at different points in time and/or over different periods of time. Revenue recognition for these arrangements is determined based on an evaluation of the individual elements of the arrangements.

Services

The Company also enters into annual standalone renewals of maintenance and support after the initial contract has been completed. The Company recognizes these revenues ratably over the term of the contract. In addition, the Company provides standalone consulting services, training and minor system enhancements as requested from time to time by its customers. These service revenues are recorded as the services are provided.

(r) Research and development costs

Research costs are expensed as incurred. Development costs are deferred when future economic benefits are probable and the product or process and its market or usefulness is clearly defined, the product or process has reached technical feasibility, adequate resources exist or are expected to exist to complete the project and management intends to market or use the product or process. If these criteria are not met, the development costs are expensed as incurred.

(In thousands of Canadian dollars, except share data)

2. Summary of Significant Accounting Policies (continued)

(s) Stock-based compensation

The Company accounts for its stock-based compensation programs using the fair value method, based on the number of stock options that are expected to vest. Under this method, stock-based compensation expense related to these programs is charged to operations with the corresponding amount increasing contributed surplus over the vesting period. On the exercise of options, consideration received and the related accumulated contributed surplus is credited to share capital. Compensation expense is adjusted for subsequent changes in management's estimate of the number of stock options that are expected to vest.

(t) Segment reporting

The Company operates a single reportable operating segment.

(u) Future changes to accounting standards

IFRS 7, Financial Instruments: Disclosures

In October 2010, the IASB amended IFRS 7, Financial Instruments: Disclosures. This amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with, an entity's continuing involvement in derecognized financial assets. The amendment is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2012. The Company is assessing the impact of this amended standard on its consolidated financial statements.

IFRS 10, Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10"). IFRS 10, which replaces the consolidation requirements of SIC-12, Consolidation - Special Purpose Entities and IAS 27, Consolidated and Separate Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). IFRS 12 establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 13, Fair Value Measurement

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"). IFRS 13 replaces the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures which enable users to assess the methods and inputs used to develop fair value measurements. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

December 31, 2011 and 2010

VoodooVox Inc. (formerly Call Genie Inc.)
Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

2. Summary of Significant Accounting Policies (continued)

IAS 1, Presentation of Financial Statements

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements. This amendment requires an entity to separately present the items of other comprehensive income as items that may or may not be reclassified to profit and loss. This amended standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this amended standard on its consolidated financial statements.

IAS 27, Separate Financial Statements

In May 2011, the IASB amended IAS 27, Separate Financial Statements ("IAS 27"). This amendment removes the requirements for consolidated financial statements from IAS 27, and moves it over to IFRS 10. The amendment mandates that when a company prepares separate financial statements, investments in subsidiaries, associates and jointly controlled entities are to be accounted for using either the cost method or in accordance with IFRS 9, Financial Instruments ("IFRS 9"). In addition, this amendment determines the treatment for recognizing dividends, the treatment of certain group reorganizations and some disclosure requirements. This amendment is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this amended standard on its consolidated financial statements.

IFRS 9, Financial Instruments

In October 2010, the IASB issued IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2015. The Company is assessing the impact of this new standard on its consolidated financial statements.

VoodooVox Inc. (formerly Call Genie Inc.)

December 31, 2011 and 2010 **Notes to the Consolidated Financial Statements**

(In thousands of Canadian dollars, except share data)

3. Cash and Cash Equivalents

As at	December 31, 2011	December 31, 2010	January 1, 2010
Business and savings accounts	372	370	3,344
Cashable guaranteed investment certificates	10	10	103
	382	380	3,447

4. Property and Equipment

Year ended December 31, 2011	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Total
Cost				
January 1, 2011	1,128	411	111	1,650
Additions	7	-	-	7
Acquisition	33	-	-	33
December 31, 2011	1,168	411	111	1,690
Accumulated Amortization				
January 1, 2011	1,057	309	56	1,422
Amortization for the year	72	69	22	163
December 31, 2011	1,129	378	78	1,585
Net Carrying Amount				
At January 1, 2011	71	102	55	228
At December 31, 2011	39	33	33	105

Year ended December 31, 2010	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Total
Cost				
January 1, 2010	1,428	415	111	1,954
Additions	10	-	-	10
Disposals	(310)	(4)	-	(314)
December 31, 2010	1,128	411	111	1,650
Accumulated Amortization				
January 1, 2010	1,083	235	33	1,351
Amortization for the year	284	78	23	385
Disposals	(310)	(4)	-	(314)
December 31, 2010	1,057	309	56	1,422
Net Carrying Amount				
At January 1, 2010	345	180	78	603
At December 31, 2010	71	102	55	228

VoodooVox Inc. (formerly Call Genie Inc.)

December 31, 2011 and 2010

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

5. Intangible Assets

Year ended December 31, 2011	Acquired Technology	Customer Lists	Software Licenses		Total
Cost					
January 1, 2011	5,218	358	295		5,871
Acquisition	515	-	-		515
December 31, 2011	5,733	358	295		6,386
Accumulated Amortization					
January 1, 2011	2,199	152	294		2,645
Amortization for the year	756	51	1		808
December 31, 2011	2,955	203	295		3,453
Net Carrying Amount					
At January 1, 2011	3,019	206	1		3,226
At December 31, 2011	2,778	155	-		2,933

Year ended December 31, 2010	Acquired Technology	Customer Lists	Software Licenses	Rights License	Total
Cost					
January 1, 2010	5,218	358	782	1,561	7,919
Additions	-	-	7	-	7
Disposals	-	-	(494)	(1,561)	(2,055)
December 31, 2010	5,218	358	295	-	5,871
Accumulated Amortization					
January 1, 2010	1,454	101	759	194	2,508
Amortization for the year	745	51	29	260	1,085
Disposals	-	-	(494)	(1,561)	(2,055)
Impairment	-	-	-	1,107	1,107
December 31, 2010	2,199	152	294	-	2,645
Net Carrying Amount					
At January 1, 2010	3,764	257	23	1,367	5,411
At December 31, 2010	3,019	206	1	-	3,226

In June 2010, the Company determined that a change in circumstances specific to the rights license indicated that its carrying amount may not be recoverable. In accordance with its accounting policy, the Company performed an impairment test as at June 30, 2010 and recognized a write-down of its rights license asset of \$1,107.

VoodooVox Inc. (formerly Call Genie Inc.)

December 31, 2011 and 2010 **Notes to the Consolidated Financial Statements**

(In thousands of Canadian dollars, except share data)

6. Other Liabilities

As at	December 31, 2011	December 31, 2010	January 1, 2010
Lease inducements	68	103	124
Deferred salaries	136	321	373
Rights license payable	-	-	403
	204	424	900
Current portion	(172)	(342)	(21)
	32	82	879

In October 2010, the Company negotiated an amendment to the terms of its rights license agreement to reduce future payments which resulted in a gain of \$447.

7. Debentures

As at	Conversion Price (cents)	Principal Amount	Rate of Interest	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
May 2012 Convertible Debentures (a)	50	475	10.0%	455	2,145	1,969
Oct 2012 Convertible Debenture (b)	50	2,090	12.0%	1,917	3,326	3,059
Aug 2012 Convertible Debenture (c)	10	1,175	15.0%	983	1,053	-
Aug 2012 Debenture (d)	-	875	17.5%	843	800	-
May 2011 Debenture (e)	-	-	10.0%	-	1,276	-
Feb 2012 Debenture (f)	-	300	12.0%	293	-	-
Mar 2015 Convertible Debenture (g)	25	5,000	12.0%	3,424	-	-
				7,915	8,600	5,028
Current portion				(4,491)	(1,276)	-
				3,424	7,324	5,028

All of the Company's debentures grant a security interest in and to all of the Company's present and future personal property as collateral for the debt. In addition, debentures that mature on August 12, 2012 are secured by certain assets owned by a company controlled by the Chairman of the Board of the Company

7. Debentures (continued)

- (a) Effective June 26, 2009, the Company completed a private placement of 2,465 units of non-redeemable, secured convertible debentures, in denominations of one thousand dollars, in the aggregate principal amount of \$2,465 (the "May 2012 Convertible Debentures"). The debentures bear interest at a rate of 10% per annum, payable semi-annually on October 31 and April 30, and mature on May 30, 2012. Holders may convert principal and accrued but unpaid interest under their debentures into common shares of the Company at any time prior to their maturity at a conversion price of 50.0 cents per share.

These debentures have characteristics of both debt and equity. Accordingly, \$1,887 of the fair value was ascribed to the debt component and \$513 was ascribed to the equity component, net of financing costs. Fair value was determined by reference to similar debt instruments and market transactions. The Company incurred financing costs of \$65 in connection with this placement of convertible debentures. These have been pro-rated against the debt and equity components.

As part of this debt issuance, the Company issued 591,600 warrants. A total of 360,000 warrants were exercised during 2011 and the remainder expired unexercised on June 26, 2011.

- (b) In the fourth quarter of 2009, the Company completed a private placement of 4,000 units of non-redeemable, secured convertible debentures, in denominations of one thousand dollars, in the aggregate principal amount of \$4,000 (the "Oct 2012 Convertible Debentures"). The debentures bear interest at a rate of 12% per annum, payable semi-annually on October 31 and April 30, and mature on October 31, 2012. Holders may convert principal and accrued but unpaid interest under their debentures into common shares of the Company at any time prior to their maturity at a conversion price of 50.0 cents per share. The debentures are not redeemable by the Company prior to maturity.

These debentures have characteristics of both debt and equity. Accordingly, \$3,035 of the fair value was ascribed to the debt component and \$800 was ascribed to the equity component, net of financing costs. Fair value was determined by reference to similar debt instruments and market transactions. The Company incurred financing costs of \$165 in connection with this placement of convertible debentures. These have been pro-rated against the debt and equity components.

As part of this debt issuance, the Company issued 1,920,000 warrants. A total of 480,000 warrants were exercised in 2011 and the remainder expired on November 6, 2011. In addition, the Company issued 90 broker warrants that expired on December 23, 2011.

- (c) Effective August 12, 2010, the Company completed a brokered private placement of 1,625 units of non-redeemable, secured convertible debentures, in denominations of one thousand dollars, in the aggregate principal amount of \$1,625 (the "Aug 2012 Convertible Debentures"). The convertible debentures bear interest at a rate of 15% per annum, payable semi-annually on February 28 and August 31, and mature on August 12, 2012. Holders may convert principal and accrued but unpaid interest under their debentures into common shares of the Company at any time prior to their maturity at a conversion price of 10.0 cents per share.

These debentures have characteristics of both debt and equity. Accordingly, \$965 of the fair value was ascribed to the debt component and \$170 was ascribed to the equity component, net of financing costs. Fair value was determined by reference to similar debt instruments and market transactions. The Company incurred financing costs of \$489 in connection with this placement of convertible debentures. These have been pro-rated against the debt and equity components.

(In thousands of Canadian dollars, except share data)

7. Debentures (continued)

As part of this debt issuance, the Company issued 3,250,000 warrants. Each warrant holder is entitled to acquire one common share of the Company for each warrant at a price of 12.0 cents per share until August 12, 2014. The fair value of each warrant of 7.4 cents was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 2.3%, an expected volatility of 115% and an expected life of 4.0 years. Of the \$170 that was ascribed to the equity component of the debentures, \$168 was allocated to these warrants and \$2 was allocated to contributed surplus in 2010. A total of 200,000 warrants were exercised in 2011 and the remainder remain outstanding.

- (d) Effective August 12, 2010, the Company completed a non-brokered private placement of 875 units of debentures primarily with related parties, in denominations of one thousand dollars, in the aggregate principal amount of \$875 (the "Aug 2012 Debentures"). The debentures bear interest at a rate of 17.5% per annum, payable monthly, and mature on August 12, 2012. The Company has the option to repay the debt prior to maturity without penalty. The Company incurred financing costs of \$89 in connection with this placement of debentures.

- (e) Effective November 5, 2010, the Company completed a brokered private placement of 1,500 units of debentures, in denominations of one thousand dollars, in the aggregate principal amount of \$1,500 (the "May 2011 Debentures"). The debentures bear interest at a rate of 10% per annum, payable at maturity, and mature on May 5, 2011. The Company has the option to repay the debt prior to maturity without penalty.

As part of this debt issuance, the Company issued 1,500,000 common shares to the debenture holders and 617,000 common shares to agents for commissions and fees related to the debt issuance. Accordingly, \$1,180 of fair value was ascribed to the debt issuance and \$146 was ascribed to the share issuance, net of issuance costs. The Company incurred financing costs of \$174, of which \$98 was paid in cash and the remainder paid through the issuance of 617,000 common shares and 100,000 warrants. The warrant holder is entitled to acquire one common share of the Company for each warrant at a price of 11.0 cents per share until November 5, 2014. The fair value of each warrant of 8.3 cents was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.8%, an expected volatility of 114% and an expected life of 4.0 years. An amount of \$8 was allocated to contributed surplus in 2010. These costs have been pro-rated against the debt and equity components. On March 2, 2011, the Company repaid this debt without penalty.

- (f) Effective February 14, 2011, the Company completed non-brokered private placement of 300 units of debentures, in denominations of one thousand dollars, in the aggregate principal amount of \$300 (the "Feb 2012 Debentures"). The debentures bear interest at a rate of 12% per annum, payable monthly, and mature on February 14, 2012. The Company has the option to repay the debt prior to maturity without penalty. The Company incurred financing costs of \$50 in connection with the debentures.
- (g) Effective March 2, 2011, the Company completed a brokered private placement of 5,000 non-redeemable, secured convertible debentures, in denominations of one thousand dollars, in the aggregate principal amount of \$5,000 (the "Mar 2015 Convertible Debentures"). The debentures bear interest at a rate of 12% per annum, payable semi-annually on March 2 and September 2, and mature on March 2, 2015. Holders may convert principal into common shares of the Company at any time prior to their maturity at a conversion price of 25.0 cents per share. The debentures are not redeemable by the Company prior to maturity.

December 31, 2011 and 2010

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7. Debentures (continued)

These debentures have characteristics of both debt and equity. Accordingly, \$3,179 of the fair value was ascribed to the debt component and \$1,102 was ascribed to the equity component, net of financing costs. Fair value was determined by reference to similar debt instruments and market transactions. The Company incurred financing costs of \$719 in connection with this placement of convertible debentures, of which \$446 was paid in cash, \$25 was paid through the issuance of 150,000 common shares, and the remainder was paid through the issuance of 500 broker warrants. These costs have been pro-rated against the debt and equity components.

Concurrent with this placement, the Company redeemed the May 2011 Debentures.

- (h) On December 29, 2011, the shareholders and directors of the Corporation approved an incentive program in an effort to encourage holders of outstanding debentures to convert outstanding principal and interest into common shares. To promote the conversion of the principal amount of debentures and the accrued but unpaid interest thereon, management and directors of the Company offered debentures holders the following options:
- i. For the May 2012 Convertible Debentures the Company offered to amend the conversion price from 50.0 cents to 10.0 cents. The Company converted \$1,990 aggregate principal convertible debentures with a carrying value on conversion of \$1,907 and allocated \$382 from contributed surplus to share capital.
 - ii. For the Oct 2012 Convertible Debentures, the Company offered to amend the conversion price from 50.0 cents to 10.0 cents. The Company converted \$1,910 aggregate principal convertible debentures with a carrying value on conversion of \$1,741 and allocated \$276 from contributed surplus to share capital.
 - iii. For the Aug 2012 Convertible Debentures, the Company offered to issue 5,000 share purchase warrants for each one thousand dollars converted, each warrant entitling the holder to purchase one common share, at any time and from time to time until December 31, 2013, at an exercise price of 12.0 cents per common share. The Company converted \$450 aggregate principal convertible debentures with a carrying value on conversion of \$376 and allocated \$1 from contributed surplus to share capital. Subsequent to the year end, the Company converted an additional \$5 of principal. In connection with the conversion, the Company issued 2,275,000 warrants.
 - iv. For the Mar 2015 Convertible Debentures, the Company amended the conversion price from 25.0 cents to 10.0 cents. Subsequent to the year end, the Company converted \$2,320 aggregate principal convertible debentures and \$92 accrued interest in exchange for 24,115,286 common shares.

The Company recorded a loss of \$8,565 in the consolidated statement of operations and comprehensive loss on the offer to amend the terms of its convertible debt in accordance with guidance under IAS 32, Financial Instruments Presentation.

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8. Equity Instruments

(a) Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value, non cumulative, redeemable and non-voting

There are no issued and outstanding preferred shares.

(b) Issued and outstanding common shares

- (i) The Company has established an employee stock purchase plan for the benefit of all eligible employees. Under the plan, common shares of the Company may be purchased at three-month intervals at 85% of the weighted average trading price of such shares for the applicable three-month period. Employees may contribute from 3% to 20% of their gross base salary. During the year ended December 31, 2011, the Company issued 331,928 common shares at an average price of 10.3 cents per share.
- (ii) The Company has a "shares for rent" agreement with one of its landlords. Under the terms of the agreement, at the Company's option the landlord is required to subscribe for a number of common shares in exchange for the value of quarterly net rent. The number of common shares, calculated on the first day of each quarter, is equal to the net rent due divided by a denominator equal to the previous five-day weighted average closing price of the common shares (as reported by the TSX Venture Exchange). The agreement commenced on July 1, 2009 and ends on September 30, 2012. During the year ended December 31, 2011, the Company issued 1,826,692 common shares with a value of \$240.
- (iii) On October 25, 2011, the Company completed a brokered private placement involving the distribution of 12,000,000 units ("Units"), at a price of \$0.10 per Unit, for aggregate gross proceeds of \$1.2 million. Each Unit consisted of one common share of the Company and a ½ warrant ("Warrant"). Each whole Warrant entitles the holder to acquire one common share of the Company, at an exercise price of \$0.12, at any time and from time to time until expiry on October 25, 2014. The Company incurred cash costs of \$121 and issued 500,000 Units to the broker. The Units were converted to 12,500,000 common shares and 6,250,000 warrants.

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8. Equity Instruments (continued)

(c) Issued and outstanding warrants

	Weighted Average Exercise Price (cents)	Number
Outstanding, January 1, 2010	22.5	6,422,006
Issued in connection with convertible debentures (Note 7(c))	12.0	3,250,000
Issued in connection with debentures (Note 7(e))	11.0	100,000
Expired (i)	22.5	(3,910,406)
Extended (i)	22.5	2,888,523
Outstanding, December 31, 2010	18.5	8,750,123
Issued in connection with share issuance (Note 8(b)(iii))	12.0	6,250,000
Expired (Note 7(a)(b))	23.0	(1,671,600)
Exercised (Note 7(a)(b)(c))	20.5	(1,040,000)
Outstanding, December 31, 2011	14.6	12,288,523

- (i) On August 17, 2004, the Company completed the reverse takeover of a public company, GRD. Upon the completion of this business combination, 4,360,035 previously issued warrants were repriced to 22.5 cents each (pre-business combination price 61.0 cents), of which 3,910,406 remained outstanding at January 1, 2010. Each warrant holder is entitled to acquire one common share of the Company for each warrant. On August 16, 2010, the Company reached agreement with the holders of 2,888,523 warrants to extend the expiry date to February 28, 2012. In consideration for the extension of the warrants, the warrant holders paid 1.6 cents per warrant as an extension fee, for a gross aggregate amount of \$45. As at December 31, 2011, 2,888,523 warrants remained unexercised.

8. Equity Instruments (continued)

(d) Issued and outstanding broker warrants

	Weighted Average Exercise Price	Number
Outstanding, January 1, 2010	\$ 1	90.00
Granted (i)	1	137.25
Outstanding, December 31, 2010	1	227.25
Granted (ii)	1	500.00
Expired (Note 7(b))	1	(90.00)
Outstanding, December 31, 2011	\$ 1	637.25

- (i) As part of the August 12, 2010 brokered private placement (Note 7(b)), the Company paid the agent cash compensation of \$157, and issued 137.25 broker warrants. Each broker warrant entitles the holder to purchase one thousand dollars principal amount of the August 12, 2010 convertible debenture issuance, exercisable until August 12, 2014. As at December 31, 2010, 137.25 broker warrants remain unexercised.

The fair value of the broker warrants was estimated in two components as follows:

- a. The value of the equity conversion feature of the debenture wherein 137.25 debentures can be exchanged for 1,372,500 common shares of the Company. The fair value of the conversion feature of 6.8 cents was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.6%, an expected volatility of 127%, an effective exercise price of 10.0 cents per share and an expected life of 2.4 years.
- b. The value of 274,500 warrants issued with the 137.25 debentures. The fair value of each warrant of 7.4 cents is the same as calculated above and was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 2.3%, an expected volatility of 115%, an effective exercise price of 12.0 cents per share and an expected life of 4.0 years.

The fair value of the broker warrants allocated to contributed surplus in 2010 was \$114.

- (ii) As part of the March 2, 2011 brokered private placement (Note 7(d)), the Company issued 500 broker warrants, each warrant entitling the holder to acquire one thousand dollars principal amount secured convertible debenture. Holders may convert principal into common shares of the Company at any time prior to March 2, 2015 at a conversion price of 25.0 cents per share.

The fair value of each broker warrant of 12.4 cents was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 2.3%, an expected volatility of 119% and an expected life of 4.0 years. An amount of \$248 was allocated to contributed surplus in 2011.

8. Equity Instruments (continued)

(e) Options

Under the Company's current Stock Option Plan (the "Plan"), the Company's directors may approve the issuance of stock options to directors, officers and employees and agents of the Company and its affiliates. The aggregate number of shares reserved for issuance under the Plan is up to 15% of the number of outstanding common shares. Since the inception of the Plan, the Company has granted 32,447,250 stock options to its employees, officers and directors. As at December 31, 2011, 12,735,000 stock options remain outstanding at prices ranging from 6.5 cents to 50.0 cents per share. Options for the Company's directors vest immediately, while options for employees generally vest ratably over a period of three years, except for the 9,962,500 options granted on February 25, 2009, which vest ratably over a period of two years. All options have a life of five years and have expiry dates ranging from July 2, 2013 to December 2, 2016.

The Company measures compensation costs associated with stock-based compensation using the fair value method and the cost is recognized over the vesting period of the underlying security. Expected volatilities are based on the historical volatility of VVX's share price. The fair value of each option is determined at the grant date using the Black-Scholes option valuation model with the following weighted average assumptions:

	2011	2010
Risk-free rate	1.6%	1.4%
Expected dividend yield	0.0%	0.0%
Expected volatility rate	121%	119%
Expected option life	3 years	3 years
Fair value (cents per share)	10.7	10.2

During the year ended December 31, 2011, \$249 (2010 - \$291) was included in labour costs as stock-based compensation related to options with the corresponding amount charged to contributed surplus.

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8. Equity Instruments (continued)

The following table sets out information concerning stock options issued to employees, consultants, directors and officers that were outstanding at December 31, 2011:

	Weighted Average Exercise Price (cents)	Number of Options
Outstanding, January 1, 2010	12.2	11,260,000
Granted	15.4	4,691,250
Exercised	7.5	(52,500)
Forfeited	17.2	(3,670,000)
Outstanding, December 31, 2011	11.9	12,228,750
Granted	14.3	3,105,000
Exercised	7.9	(328,334)
Forfeited	20.7	(2,270,416)
Outstanding, December 31, 2011	11.4	12,735,000

The weighted average share price for options exercised was 17.0 cents.

The following table summarizes information about the stock options outstanding at December 31, 2011:

Range of Exercise Prices per Share (cents)	Number of Options Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price (cents)	Number of Options Vested/ Exercisable	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price (cents)
0 to 10	7,127,500	2.36	8	6,560,834	2.18	8
10 to 20	5,525,000	3.56	15	2,601,667	3.10	15
20 to 50	82,500	1.65	28	82,500	1.65	28
	12,735,000	2.88	11	9,245,001	2.43	10

9. Related Party Transactions

The Company had the following related party transactions:

- (a) Included in other operating costs for the year ended December 31, 2011 are \$220 (2010 - \$226) of consulting services paid to companies controlled or influenced by directors and management contractors of the Company.
- (b) Included in accounts payable and accrued liabilities at December 31, 2011 is \$112 (December 31, 2010 - \$115) due to various directors, companies controlled or influenced by directors and management contractors of the Company, all of which are for services rendered and reimbursement of expenses.
- (c) For the year ended December 31, 2011, the Company made interest payments on debentures of \$182 (2010 - \$66) to directors, senior management and management contractors of the Company.
- (d) During the year, the Company purchased an investment in one of the Company's customers for \$350 from a director and subsequently sold a portion of the investment to the same director for \$350.
- (e) During the year, the Company received \$25 for a licensing agreement from a customer over which a director of the Company exerts significant influence.

All the related party transactions have been measured at the exchange amounts.

Key management personnel compensation

Compensation	December 31, 2011	December 31, 2010
Salaries	1,042	975
Stock-based compensation	96	140
	1,138	1,115

The key management includes the senior officers of the Company.

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10. Income Taxes

The effective rates of income tax vary from the statutory tax rates as follows:

	December 31, 2011	December 31, 2010
Combined statutory tax rates	28.0%	28.0%
Expected income tax recovery at statutory tax rates	\$ 3,757	\$ 2,392
Permanent differences	(2,783)	(74)
Change in tax rates	(106)	(408)
Resolution of uncertain tax positions	266	4
Unrecognized deferred tax assets	(875)	(1,910)
Recovery of income taxes	\$ 259	\$ 4

Deferred income taxes reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for income tax purposes. Significant components of the deferred income tax assets that have not been recognized include the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Property and equipment and other assets	\$ 1,856	\$ 1,761	\$ 775
Share issuance costs	236	243	219
Unused tax loss carryforwards	14,350	13,563	12,208
Unrecognized deferred income tax assets	\$ 16,442	\$ 15,567	\$ 13,202

As at December 31, 2011, subject to confirmation from the respective income tax authorities, the Company has a total of \$55,807 of non-capital losses that are available for carryforward to offset future years' taxable income expiring as follows:

	Non-Capital Losses
2014	\$ 1,018
2015	1,279
2026	5,585
2027	11,137
2028	17,474
2029	9,639
2030	6,458
2031	3,217
	\$ 55,807

For Canadian tax purposes, the Company has non-capital losses of \$54,281 and for U.S. tax purposes, the Company has net operating losses of \$1,526 that have a 15-year carryforward period.

11. Commitments and Contingencies

(a) Leases

The Company has obligations under long-term operating leases, license agreements and agreements for premises and office equipment for various periods up to 2013. There are no lease commitments after 2013. Future minimum annual lease payments over the next two years are as follows:

	Facilities	Equipment	Total
2012	\$ 652	\$ 1	\$ 653
2013	\$ 200	\$ -	\$ 200

The Company paid operating lease costs of \$644 for the year ended December 31, 2011 (2010 - \$667).

(b) General

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims from customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after analysis of each individual matter. The required provision may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

Management believes that adequate provisions have been recorded in the accounts, where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurances, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position or results of operations of the Company.

12. Financial Instruments and Risk Management

Classification of financial instruments

Upon initial recognition, all financial instruments are recorded on the statement of consolidated financial position at their fair value. After initial recognition, the financial instruments are measured at their fair value, except for held-to-maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost using the effective interest rate method. Changes in the fair value of held-for-trading financial instruments are recognized in operations for the period. The Company does not hold any held-to-maturity investments or available-for-sale financial assets.

The Company holds various forms of financial instruments as follows:

	Designation	Measurement	December 31, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents and restricted cash	Held-for-trading	Fair value	\$ 382	\$ 380	\$ 3,569
Accounts receivable	Trade and other receivables	Amortized cost	\$ 682	\$ 1,697	\$ 1,732
Investments	Available for sale	Cost	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	\$ 1,404	\$ 1,618	\$ 1,973
Other liabilities and income tax provision	Other financial liabilities	Amortized cost	\$ 499	\$ 985	\$ 1,461
Debentures	Other financial liabilities	Amortized cost	\$ 7,915	\$ 8,600	\$ 5,028

Held-for-trading

The Company has classified its cash and cash equivalents, restricted cash and investment as held-for-trading. These instruments are accounted for at fair value with the change in fair value recognized in net income during the period. As at December 31, 2011, the Company held \$10 (December 31, 2010 - \$10) of cashable guaranteed investment certificates bearing a weighted average interest rate of 0.75% (December 31, 2010 - 0.3%).

Loans and receivables

Accounts receivable are classified as trade and other receivables, which are measured at amortized cost.

12. Financial Instruments and Risk Management (continued)

Available for sale investments

The Company acquired a net 385,000 common shares of a private company. The net cash flows were nil (see Note 9(d)). The common shares have been initially accounted for at exchange amount and subsequently measured at cost as the shares do not have a quoted market price in an active market and fair value cannot be reliably measured.

Other financial liabilities

Accounts payable and accrued liabilities, other liabilities, income tax provision and debentures are classified as other financial liabilities and are measured at amortized cost.

For the years ended December 31, 2011 and December 31, 2010, the Company did not utilize derivative instruments. The Company has no derivatives embedded in its financial or non-financial contracts.

Financial risk management

The nature of these financial instruments and the Company's operations expose the Company 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.

Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable.

At December 31, 2011, primarily all of the Company's cash and cash equivalents were held at one financial institution.

The Company, in the normal course of business, is exposed to credit risk from its customers. The accounts receivable are subject to normal credit risks. Any amounts not provided for are considered fully collectible. For the year ended December 31, 2011, the Company earned 39% of its revenue from a directory publisher and 12% of its revenue from a carrier. For the year ended December 31, 2010, the Company earned 24% of its revenue from one customer as a result of the completion of a workstation solution, and 18% from a separate directory publisher.

The following table provides the details of the aged receivables and the related allowance for doubtful accounts:

	December 31, 2011	December 31, 2010	January 1, 2010
Current	\$ 369	\$ 257	\$ 279
31 to 60 days	165	210	405
61 to 90 days	54	66	22
Over 90 days	111	1,164	1,040
Less: allowance for doubtful accounts	(17)	-	(14)
Total accounts receivable, net	\$ 682	\$ 1,697	\$ 1,732

12. Financial Instruments and Risk Management (continued)

Liquidity risk

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. Further discussion with regard to the Company's liquidity management is described in Note 1 to the consolidated financial statements.

The contractual maturities of the Company's financial liabilities, including interest charges, as at December 31, 2011 are as follows:

	2012	2013	2014	2015
Accounts payable and accrued liabilities	\$ 1,403	\$ -	\$ -	\$ -
Other Liabilities	499	-	-	-
Debentures – non-convertible	-	-	-	-
Debentures – convertible	4,915	-	-	5,000
Interest	1,145	600	600	298
	<u>\$ 7,962</u>	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 5,298</u>

Foreign currency risk

The Company operates internationally and is exposed to risk from changes in foreign currency rates. 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 exposure arises from U.S. dollar revenue and costs. For the period ended December 31, 2011, approximately 56% of revenue and 3% of costs were transacted in U.S. dollars. As a result, the Company may experience transaction exposure because of volatility in the exchange rate between the Canadian and U.S. dollar. Based on the Company's current U.S. denominated net inflows, as at December 31, 2011, an increase in the value of the U.S. dollar versus the Canadian dollar of 10% would, everything else being equal, have an effect of increasing revenue by 5.6%, increasing costs by 0.3% and increasing income from operations by 3.7%. A decrease in the value of the U.S. dollar would result in a corresponding decrease by these percentages.

The Company is also exposed to foreign exchange risk from transactions in British pounds, Euros and Danish kroner. Fluctuations of 10% in the exchange rates for these currencies, when compared to the Canadian dollar, are not expected to individually have a material effect on the Company's results of financial performance.

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12. Financial Instruments and Risk Management (continued)

Interest rate risk

The Company is exposed to interest rate risk through its financial assets. The Company manages interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity reserves necessary to meet day-to-day operating cash flow requirements.

The Company believes that interest rate risk is not significant, as interest rates on short-term investments range from 0.75% to 1.0%. A 50 basis points change in interest rates would have no significant effect per quarter based on December 31, 2011 financial asset balances.

For the years ended December 31, 2011 and 2010, the Company has no variable interest-bearing financial obligations.

Fair values of financial instruments

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

The fair value of the debentures, which are estimated by discounting their future cash flows at a rate of 22%, are \$9,071 (December 31, 2010 – \$9,877).

Financial assets and liabilities that are carried at fair value are measured using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy of inputs is summarized below.

Level 1 – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Fair value is based on inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 – Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents and restricted cash carried on the consolidated statements of financial position at fair value are classified as Level 1 and available for sale investments are classified at Level 3. There were no transfers between the levels during the year.

December 31, 2011 and 2010

VoodooVox Inc. (formerly Call Genie Inc.)
Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

13. Capital Management

The Company's objective when managing capital is to ensure that it has adequate financial resources to maintain liquidity necessary to fund its operations and provide returns for shareholders and benefits to other stakeholders. The capital structure of the Company consists of share capital and debentures. At December 31, 2011, the Company has share capital of \$57,920 (2010 - \$51,786) and debentures of \$7,915 (2010 - \$8,600).

The Company manages its capital structure and makes adjustments to it based on the level of funds available to the Company to manage its operations. Upon approval of the Board of Directors, the Company balances its overall capital through new share issuances or by undertaking other activities as deemed appropriate in the circumstances. The Company is not subject to externally imposed capital requirements.

There have been no changes in the Company's approach to capital management during the year.

14. Segmented Information

Operating segment

The Company operates in the sale and service of software and hosting solutions segment and all sales are made in this segment. Management assesses performance and makes decisions about allocating resources based on the one operating segment.

Product category information

The Company earned revenue attributed to the following product categories based on the main product or service sold to the customer:

	December 31, 2011	December 31, 2010
Voice	\$ 3,531	\$ 1,291
SMS Data	1,194	382
Workstations	1,478	2,533
Total	\$ 6,203	\$ 4,206

Geographic information

The Company earned revenue attributed to the following regions based on the geographical location of the customer:

	December 31, 2011	December 31, 2010
North America	\$ 3,949	\$ 1,553
Rest of world	2,254	2,653
Total	\$ 6,203	\$ 4,206

Substantially all of the Company's non-current assets are located in North America.

December 31, 2011 and 2010

VoodooVox Inc. (formerly Call Genie Inc.)
Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

15. Transition to IFRS

The Company adopted IFRS on January 1, 2011 with a transition date of January 1, 2010.

First-Time Adoption Elections

Most adjustments required on transition to IFRS were made retrospectively against opening retained earnings as of the Transition Date. IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS. The Company elected to make the following IFRS 1 optional exemptions:

- (i) To apply the requirements of IFRS 3, Business Combinations ("IFRS 3") prospectively from the Transition Date;
- (ii) To apply the requirements of IFRS 2, Share-based Payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and
- (iii) To transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date, including those foreign currency differences which arose on adoption of IFRS.

Reconciliation of Equity

Total equity at January 1, 2010 and December 31, 2010 under previous Canadian GAAP is reconciled to the amounts reported under IFRS below. All amounts are after tax.

	At January 1, 2010	At December 31, 2010
Total shareholders' equity reported under previous Canadian GAAP	652	(6,720)
Change in functional currency	(45)	13
Total shareholders' equity under IFRS	607	(6,707)

Reconciliation of Total Loss and Comprehensive Loss

Total net loss and comprehensive loss for the year ended December 31, under previous Canadian GAAP are reconciled to the amounts reported under IFRS below.

	Year Ended December 31, 2010
Net loss reported under previous Canadian GAAP	(8,543)
Change in functional currency	(21)
Net loss under IFRS	(8,564)

VoodooVox Inc. (formerly Call Genie Inc.)

December 31, 2011 and 2010 **Notes to the Consolidated Financial Statements**

(In thousands of Canadian dollars, except share data)

15. Transition to IFRS (continued)

	Year Ended December 31, 2010
	<hr/>
Comprehensive loss reported under previous Canadian GAAP	(8,622)
Change in functional currency	<hr/> 58
Comprehensive loss under IFRS	<hr/> (8,564)

Reconciliation of the Consolidated Statements of Cash Flows

There were no material changes to the consolidated statements of cash flows on adoption of IFRS.

Notes to Reconciliations

IFRS requires that the functional currency of each entity be determined separately. The Company has determined that as at the Transition Date the Canadian dollar was the functional currency of all entities. As a result, all foreign exchange translation differences as of the Transition Date are recorded through operations. Under Canadian GAAP, the Company's subsidiary in Denmark was defined as a self-sustaining foreign operation and cumulative foreign exchange translation differences arising on consolidation were recorded in a separate component of equity. In accordance with IFRS 1 optional exemptions, the Company elected to transfer these cumulative foreign exchange translation differences to deficit at the Transition Date.

VoodooVox Inc. (formerly Call Genie Inc.)**December 31, 2011 and 2010****Notes to the Consolidated Financial Statements**

(In thousands of Canadian dollars, except share data)

16. Business Combination

On October 25, 2011, the Company acquired the assets of UpSNAP Services, LLC ("UpSNAP"). In consideration, the Company issued 3,000,000 common shares and paid USD \$125. In addition, subject to performance conditions, a principal of UpSNAP may receive 500,000 additional common shares and USD \$125 after nine months. Based in Charlotte, North Carolina, UpSNAP is a direct response advertising network on mobile phones in the United States and a pioneer in the pay-per-call industry. The acquisition was accounted for using the acquisition method in accordance with IFRS 3 with the results of operations consolidated with those of the Company effective October 25, 2011 and has contributed incremental revenue of \$130 and operating income of \$(76) for the year ended December 31, 2011. The Company's consolidated operating revenues and net loss for the year ended December 31, 2011 would have been \$6,640 and \$13,286, respectively, had the UpSNAP acquisition occurred on January 1, 2011.

The final fair values of the assets acquired and liabilities assumed in the acquisition are as follows:

Fair value of consideration transferred	<u>586</u>
Current assets (including cash acquired of \$17)	68
Property and equipment	33
Acquired technology	515
Current liabilities	<u>(100)</u>
Fair value of net identifiable assets acquired	<u>516</u>
Goodwill	<u>70</u>

Goodwill represents intangible assets that do not qualify for separate recognition and is deductible for tax purposes. The acquired technology is being amortized over a period of five years.

17. Subsequent Events

- (i) On January 6, 2012, the Company acquired the assets and business operations from a Delaware company then operating as VoodooVox, Inc. ("**Old VoodooVox**"). Old VoodooVox, located in Massachusetts, provided real-time demographic information on phone calls and mobile ad traffic. Working with proprietary information developed by Old VoodooVox and data provided by third party aggregators, the acquired assets enable companies to gain valuable insight into their call volume and mobile game/application activity. In consideration, the Company issued 11,250,000 common shares and agreed to pay contingent consideration of USD \$1,800 in cash over a period of time subject to performance conditions. The assets and liabilities acquired include current assets of \$467, current liabilities of \$287, property and equipment of \$37, and intangible assets of \$882 with the residual being goodwill. Management has not finalized the allocation of the purchase consideration especially with regard to the fair value of contingent consideration and the intangible assets.
- (ii) Effective March 15, 2012, the Company completed a non-brokered private placement of 1,000 units of debenture, in denominations of one thousand dollars, in the aggregate principal amount of \$1,000. The debentures bear interest at a rate of 15.0% per annum, payable semi-annually, and mature on March 15, 2013. The Company incurred financing costs of \$14 in connection with this placement of debentures.

27. APPENDIX B: 2010 AUDITED FINANCIAL STATEMENTS

**Call Genie Inc.
Consolidated Financial Statements
For the years ended December 31, 2010 and 2009**

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Independent Auditors' Report

To the Shareholders of Call Genie Inc.

We have audited the accompanying consolidated financial statements of **Call Genie Inc.**, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Call Genie Inc.** as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has accumulated a deficit amounting to \$66,096,000 for the year ended December 31, 2010 and as of that date has a working capital deficiency of \$4,575,000. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Toronto, Canada
xxx, 2011

[Auditors' signature]
[Chartered Accountants]

Call Genie Inc.
Consolidated Balance Sheets

(In thousands of Canadian dollars, except share data)

As at December 31	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 380	\$ 3,447
Accounts receivable (Note 9(c))	1,697	1,732
Prepaid expenses and deposits	128	241
	<u>2,205</u>	<u>5,420</u>
Restricted cash (Note 7)	-	122
Property and equipment (Note 3)	228	603
Goodwill (Note 4)	2,194	2,290
Intangible assets (Note 5)	3,226	5,411
	<u>\$ 7,853</u>	<u>\$ 13,846</u>
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities (Note 9(b))	\$ 2,517	\$ 2,589
Current portion of deferred revenue	2,987	3,187
Current portion of debentures (Note 7)	1,276	-
	<u>6,780</u>	<u>5,776</u>
Other liabilities (Note 6)	82	879
Deferred revenue	387	1,511
Debentures (Note 7)	7,324	5,028
	<u>14,573</u>	<u>13,194</u>
Shareholders' equity (deficiency):		
Equity instruments (Note 8)	51,786	51,183
Contributed surplus	7,591	6,944
Accumulated other comprehensive income (loss)	(1)	78
Deficit	(66,096)	(57,553)
	<u>(6,720)</u>	<u>652</u>
	<u>\$ 7,853</u>	<u>\$ 13,846</u>

Basis of presentation (Note 1)

Commitments and contingencies (Note 11)

Subsequent event (Note 16)

Approved on behalf of the Board:

"signed" Director

Richard DeVries

"signed" Director

S. Graeme Ross

The accompanying notes are an integral part of the Consolidated Financial Statements

3 – APPENDIX B: 2010 Audited Financial Statements

Call Genie Inc.
Consolidated Statements of Operations

(In thousands of Canadian dollars, except share data)

For the years ended December 31	2010	2009
Revenue (Note 14)	\$ 4,206	\$ 3,487
Cost of sales	1,676	2,073
Gross margin	2,530	1,414
Expenses:		
Sales and marketing	1,809	3,504
Technology and product development	1,968	3,775
General and administrative (Note 9(a))	3,236	3,957
Stock-based compensation (Note 8)	291	347
Impairment of intangible asset (Note 5)	1,107	-
Amortization	1,470	1,532
	9,881	13,115
Loss from operations	(7,351)	(11,701)
Other income (expense):		
Interest and accretion on debentures (Note 7)	(1,611)	(285)
Gain on settlement of debt (Note 6)	447	-
Other expense	(32)	(93)
Loss before income taxes	(8,547)	(12,079)
Recovery of (provision for) income tax (Note 10)	4	(280)
Net loss for the year	\$ (8,543)	\$ (12,359)
Basic and diluted loss per share	\$ (0.10)	\$ (0.15)
Weighted average number of shares outstanding – basic and diluted	84,630,000	82,948,977

Call Genie Inc.**Consolidated Statements of Comprehensive Loss**

(In thousands of Canadian dollars, except share data)

For the years ended December 31	2010	2009
Comprehensive loss		
Net loss for the year	\$ (8,543)	\$ (12,359)
Other comprehensive income (loss)		
Unrealized foreign currency translation adjustment	(79)	2
Comprehensive loss	\$ (8,622)	\$ (12,357)

Call Genie Inc.
Consolidated Statements of Shareholders' Equity

(In thousands of Canadian dollars, except share data)

For the years ended December 31	Common shares #	Common shares	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity (deficiency)
Balance, January 1, 2009	81,880,116	\$ 1,109	\$ 5,263	\$ 76	\$ (45,194)	\$ 11,254
Employee stock purchase plan (Note 8(b)(i))	1,110,567	74	-	-	-	74
Options granted (Note 8(e))	-	-	347	-	-	347
Warrants on debentures (Notes 8(c)(ii)(iii) and 8(d)(i))	-	-	276	-	-	276
Equity component on debentures (Note 7)	-	-	1,058	-	-	1,058
Unrealized foreign currency translation adjustment	-	-	-	2	-	2
Net loss for the year	-	-	-	-	(12,359)	(12,359)
Balance, December 31, 2009	82,990,683	51,183	6,944	78	(57,553)	652
Employee stock purchase plan (Note 8(b)(i))	180,199	23	-	-	-	23
Shares for rent agreement (Note 8(b)(ii))	2,891,865	360	-	-	-	360
Shares on debentures (Note 8(b)(iii))	2,117,000	213	-	-	-	213
Options exercised	52,500	7	-	-	-	7
Options granted (Note 8(e))	-	-	310	-	-	310
Warrants on debentures (Notes 8(c)(iv)(v) and 8(d)(ii))	-	-	290	-	-	290
Extension of warrants (Note 8(c)(i))	-	-	45	-	-	45
Equity component on debentures (Note 7)	-	-	2	-	-	2
Unrealized foreign currency translation adjustment	-	-	-	(79)	-	(79)
Net loss for the year	-	-	-	-	(8,543)	(8,543)
Balance, December 31, 2010	88,232,247	\$ 51,786	\$ 7,591	\$ (1)	\$ (66,096)	\$ (6,720)

Call Genie Inc.
Consolidated Statements of Cash Flows

(In thousands of Canadian dollars, except share data)

For the years ended December 31	2010	2009
Cash flows from operating activities:		
Net loss for the year	\$ (8,543)	\$ (12,359)
Items not involving cash:		
Stock-based compensation	291	347
Amortization of property, equipment and intangible assets	1,469	1,532
Shares issued under shares for rent agreement (Note 8(b)(ii))	360	-
Impairment of intangible asset	1,107	-
Gain on settlement of debt	(447)	-
Accretion on debentures	642	106
Amortization of lease inducement	(21)	(17)
	<u>(5,142)</u>	<u>(10,391)</u>
Changes in non-cash working capital balances:		
Accounts receivable	35	(1,180)
Prepaid expenses and deposits	113	87
Accounts payable and accrued liabilities	(355)	659
Deferred revenue	(1,323)	3,762
	<u>(6,672)</u>	<u>(7,063)</u>
Cash flows from financing activities:		
Issuance of common shares, net of issuance costs	164	74
Proceeds from debt issuance, net of issuance costs	3,291	6,255
Restricted cash held for interest payments	122	(122)
Extension of founders' warrants	45	-
	<u>3,622</u>	<u>6,207</u>
Cash flows from investing activities:		
Purchase of property and equipment	(11)	(64)
Acquisition of intangible assets	(6)	(608)
	<u>(17)</u>	<u>(672)</u>
Net decrease in cash and cash equivalents	(3,067)	(1,528)
Cash and cash equivalents, beginning of year	3,447	4,975
Cash and cash equivalents, end of year	\$ 380	\$ 3,447
Supplemental cash flow information		
Interest paid	\$ 723	\$ 86
Income taxes paid	\$ 2	\$ 31

The accompanying notes are an integral part of the Consolidated Financial Statements
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(In thousands of Canadian dollars, except share data)

1. Nature of Operations and Basis of Presentation

Call Genie Inc. (the "Company" or "CGI") was incorporated under the laws of Canada on October 17, 2000 and was continued into Alberta on February 5, 2003. On August 17, 2004, the Company amalgamated with GRD Enterprises Inc. ("GRD") with CGI being the surviving entity.

The Company is a leading provider of local mobile search and advertising solutions. These solutions enable directory publishers, directory assistance providers and wireless carriers to increase revenue by offering a localized, mobile search capability that connects consumers with merchants. CGI created its broad product suite as a way to connect companies with voice and data traffic to companies that have monetizable content. This ecosystem provides a new revenue stream to both the carrier and content provider while providing consumers with relevant local merchant content.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company began commercial operations on October 17, 2000 and, to December 31, 2010, has accumulated a deficit amounting to \$66,096. The Company has a working capital deficiency of \$4,575 (2009 - \$356).

On March 2, 2011, the Company issued \$5,000 in convertible debentures (Note 16). However, the Company's future operations are dependent upon its ability to secure additional funds and/or secure sales contracts which provide the Company with adequate funds to cover the cash flows projected for the fiscal 2011 year. If the Company does not secure such contracts, or if it cannot secure additional financing, the Company will have to consider additional strategic alternatives which may include, among other strategies, exploring the monetization of certain intangible assets, modification of planned operating expenditures, or sale of the Company. These factors raise doubt as to the Company's ability to continue as a going concern. These 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.

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian GAAP.

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances have been eliminated on consolidation.

(b) Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates in the future. The most significant estimates relate to the valuation of property and equipment, intangible assets, goodwill, deferred revenue, future income tax assets and liabilities, stock-based compensation, allowance for doubtful accounts, equity portion of convertible debentures and revenue recognition.

(In thousands of Canadian dollars, except share data)

2. Summary of Significant Accounting Policies (cont'd)(c) Translation of foreign currencies

All assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars using the current rate method, at exchange rates in effect at year end. Revenues and expenses are translated at the average rates of exchange prevailing during the year. The resulting unrealized gains or losses on translation of the Company's net investment in self-sustaining foreign operations are included in accumulated other comprehensive income.

The appropriate amounts of translation gains or losses in accumulated other comprehensive income are reflected in income when there is a reduction, as a result of capital transactions, in the Company's net investment in the operation that gave rise to such exchange gains or losses.

For foreign operations that are classified as integrated, monetary items are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at exchange rates in effect at the time of the transaction. Foreign exchange gains and losses are included in net loss for the year.

(d) Classification of financial instruments

Under Canadian GAAP, financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. Financial instruments that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Transaction costs on financial instruments classified as held-for-trading are expensed as incurred. Transaction costs related to held-to-maturity investments, loans and receivables and available-for-sale financial assets are included in the carrying amounts of the financial instruments and amortized over the life of the instrument by the effective interest rate method.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments with maturities at the date of acquisition of less than three months.

(f) Property and equipment

Property and equipment are recorded at cost, less accumulated amortization. Amortization is provided on a straight-line basis over the following estimated useful lives of the assets:

Leasehold improvements	Term of the lease
Furniture and equipment	5 years
Computer hardware	3 years

(g) Operating leases

Costs of operating leases are charged to income on a straight-line basis over the term of the lease.

(In thousands of Canadian dollars, except share data)

2. Summary of Significant Accounting Policies (cont'd)(h) Capital leases

Capitalized assets acquired under capital lease agreements and their related liabilities are reported at the present value of the minimum lease payments.

(i) Lease inducements

Lease inducements comprise free rent and leasehold improvement incentives. Lease inducements are deferred and amortized to rent expense on a straight-line basis over the term of the related lease.

(j) Impairment of long-lived assets

Property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of the asset exceeds the estimated undiscounted future cash flows from the use and eventual disposition of the asset, then an impairment loss is recognized to write the asset down to its fair value.

(k) Intangible assets

Intangible assets are recorded at cost, less accumulated amortization. Amortization is provided on a straight-line basis over the following estimated useful lives of the assets:

Acquired technology	7 years
Customer lists	7 years
Rights license	3 years
Software licenses	1 year

The Company does not hold any indefinite life intangible assets.

(l) Goodwill

Goodwill, being the excess of the purchase price over the assigned values of the net assets acquired, is stated at cost. The Company's goodwill is not amortized, but is tested for impairment at least annually. Goodwill is tested for impairment between annual tests when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying amount. Goodwill impairment is assessed based on the comparison of the fair value of each reporting unit to which goodwill has been attributed to the carrying value of the reporting unit's net assets, including goodwill. When the carrying amount of the reporting unit exceeds its fair value, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of impairment loss, if any. The implied fair value of goodwill is determined in the same manner as in a business combination.

(m) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income tax expense is recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are determined based on the differences between the tax and accounting bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(n) Convertible debentures

Convertible debentures are accounted for in accordance with their substance and are presented in their component parts of debt and equity. The debt component has been measured as the present value of the cash payments of interest and principal due over the term of the debentures using interest rates of comparable non-convertible debt. The fair value of the warrant equity component was estimated using the Black-Scholes option valuation model. The difference between the face value of the debentures, the debt component value and the warrant component value is allocated to the equity component.

(In thousands of Canadian dollars, except share data)

2. Summary of Significant Accounting Policies (cont'd)

Financing costs are allocated proportionally to the debt component, the warrant component and the equity component. The debt component, net of its proportional financing costs, is accreted to its face value through an interest charge over its term to maturity using the effective interest rate method. Upon conversion of the debentures, the equity portion related to the principal amount of debt converted is recognized as a change to shareholders' equity.

(o) Earnings per share

Basic earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding for the year. Diluted earnings per share considers the dilutive impact of the exercise of outstanding stock options, warrants and the conversion of convertible debentures, as if the events had occurred at the beginning of the year or at a time of issuance, if later. The treasury stock method is used to determine the dilutive effect of stock options and warrants, in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3500, *Earnings Per Share*. As the effect of all outstanding options, warrants and convertible debentures is anti-dilutive during a year when the Company incurs a loss, diluted earnings per share does not differ from basic earnings per share.

(p) Revenue recognition

The Company enters into arrangements of three broad categories: (i) recurring multi-year service-oriented hosting arrangements, (ii) software license arrangements which include provision of software licenses, implementation services and post-contract support ("PCS"), and (iii) services. Revenue from these arrangements is recognized when earned, specifically when all the following conditions are met: software licenses are delivered and/or services are provided, there is clear evidence that an arrangement exists, amounts are fixed or determinable and collectibility is reasonably assured.

Hosting arrangements

The Company enters into hosting arrangements whereby the underlying software is maintained and operated in Company data centre facilities. The Company earns transaction automation fees, system maintenance fees, hosting fees and, in some cases, a share of customer advertising revenue from the service provided to the customer. The Company may also earn advertising revenue directly from advertising partners. Advertising revenue is recorded net of any revenue share portion retained by, or paid to, advertising sources or partners. Revenues for the fixed portion of these fees are recognized ratably over the contract period, while revenues for the variable portion of these fees are recognized as earned. In addition, the Company may charge for implementation or set-up fees in connection with the service provided. These fees are recognized ratably over the term of the contract, commencing upon completed delivery of the implementation and integration services.

Software license arrangements

The Company also offers complete solutions integrated into the customers' data centres. These solutions may involve the delivery of multiple services and products occurring at different points in time and/or over different periods of time. Revenue recognition for these arrangements is determined based on evaluation of the individual elements of the arrangements. If vendor-specific objective evidence of fair value ("VSOE") of all the undelivered elements exists and the undelivered elements are not essential to the functionality of the delivered elements, separate units of accounting are identified, the total arrangement consideration is allocated to the individual units of accounting following the residual method and revenue for the individual elements is recognized when the general revenue recognition criteria are met for that element. If VSOE of all undelivered elements does not exist, the entire arrangement is treated as one unit of accounting and revenue is deferred and recognized ratably over the remaining term of the PCS contract, commencing when all elements except for PCS are delivered.

(In thousands of Canadian dollars, except share data)

2. Summary of Significant Accounting Policies (cont'd)

When the delivery of multiple services and products involves significant production, modification or customization of software, the Company applies contract accounting. Revenue from long term contracts is recognized using the percentage of completion method based on a zero profit margin using input measures (e.g. costs incurred). Revenue is only recognized using the percentage of completion method where it is probable that the contract will be profitable. Otherwise revenue is recognized ratably over the remaining term of the PCS contract, commencing when all elements except for PCS are delivered.

Services

The Company also enters into annual standalone renewals of PCS after the initial contract has been completed. The Company recognizes these PCS revenues ratably over the PCS period. In addition, the Company provides standalone consulting services, training and minor system enhancements as requested from time to time by its customers. These service revenues are recorded as the services are provided.

The timing of revenue recognition sometimes differs from the contract payment schedule, resulting in revenues that have been earned but not billed. These amounts are recorded as unbilled contract revenue. Amounts billed in accordance with customer contracts but not yet earned are deferred and recorded as revenue in the period earned.

(q) Cost of sales

The Company includes in cost of sales direct costs related to operating of the enhanced voice directory service and the Short Message Service ("SMS") delivery service which include employee salaries and benefits, telephony costs, hosting, network, prize fees and other third-party charges.

(r) Research and development costs

Research costs are expensed as incurred. Development costs are deferred when future economic benefits are probable and the product or process and its market or usefulness is clearly defined, the product or process has reached technical feasibility, adequate resources exist or are expected to exist to complete the project and management intends to market or use the product or process. If these criteria are not met, the development costs are expensed as incurred.

(s) Stock-based compensation

The Company accounts for its stock-based compensation programs using the fair value method in accordance with CICA Handbook Section 3870, *Stock-Based Compensation and Other Stock-Based Payments*. Under this method, stock-based compensation expense related to these programs is charged to income with the corresponding amount increasing contributed surplus over the vesting period. When an employee leaves the Company, any associated options are forfeited and any expense recorded in the consolidated financial statements related to unvested options is recovered in the period in which the employee forfeits the options. On the exercise of options, consideration received and the related accumulated contributed surplus is credited to common shares.

December 31, 2010 and 2009

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

3. Property and Equipment

	2010		
	Cost	Accumulated Amortization	Net Book Value
Computer hardware	\$ 1,128	\$ 1,057	\$ 71
Furniture and equipment	411	309	102
Leasehold improvements	111	56	55
	\$ 1,650	\$ 1,422	\$ 228

	2009		
	Cost	Accumulated Amortization	Net Book Value
Computer hardware	\$ 1,428	\$ 1,083	\$ 345
Furniture and equipment	415	235	180
Leasehold improvements	111	33	78
	\$ 1,954	\$ 1,351	\$ 603

4. Goodwill

Balance, January 1, 2009	\$ 2,396
Foreign currency translation adjustment	(106)
Balance, December 31, 2009	2,290
Foreign currency translation adjustment	(96)
Balance, December 31, 2010	\$ 2,194

As at October 1, 2010, the Company performed its annual impairment test of goodwill and determined that goodwill was not impaired.

December 31, 2010 and 2009

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

5. Intangible Assets

	2010			2009
	Cost	Accumulated Amortization and Impairment	Net Book Value	Net Book Value
Acquired technology	\$ 5,218	\$ 2,199	\$ 3,019	\$ 3,764
Customer lists	358	152	206	257
Rights license	1,561	1,561	-	1,367
Software licenses	295	294	1	23
	\$ 7,432	\$ 4,206	\$ 3,226	\$ 5,411

In June 2010, the Company determined that a change in circumstances specific to the rights license indicated that its carrying amount may not be recoverable. In accordance with its accounting policy, the Company performed an impairment test as at June 30, 2010 and recognized a write-down of its rights license asset of \$1,107.

6. Other Liabilities

Other liabilities are comprised of lease inducements, deferred salary payable and rights license payable, as follows:

	2010	2009
Lease inducements	\$ 82	\$ 103
Deferred salary payable	-	373
Rights license payable	-	403
Other liabilities	\$ 82	\$ 879

In October 2010, the Company negotiated an amendment to the terms of its rights license agreement to reduce its future payments which resulted in a gain of \$447.

7. Debentures

- (a) Effective June 26, 2009, the Company completed a private placement of 2,465 units of non-redeemable, secured convertible debentures, in denominations of one thousand dollars, in the aggregate principal amount of \$2,465. The debentures bear interest at a rate of 10% per annum, payable semi-annually on October 31 and April 30, and mature on May 30, 2012. Holders may convert principal and accrued but unpaid interest under their debentures into common shares of the Company at any time prior to their maturity at a conversion price of 50.0 cents per share. Under the terms of the debentures, the Company segregated 10% of the principal amount as a reserve to be used to pay interest accruing for the first 12 months that the debentures remained outstanding. This reserve was recorded in the consolidated balance sheets as restricted cash (2009 - \$122). The Company incurred financing costs of \$65 in connection with this placement of convertible debentures.
- (b) In the fourth quarter of 2009, the Company completed a private placement of 4,000 units of non-redeemable, secured convertible debentures, in denominations of one thousand dollars, in the aggregate principal amount of \$4,000. The debentures bear interest at a rate of 12% per annum, payable semi-annually on October 31 and April 30, and mature on October 31, 2012. Holders may convert principal and accrued but unpaid interest under their debentures into common shares of the Company at any time prior to their maturity at a conversion price of 50.0 cents per share. The debentures are not redeemable by the Company prior to maturity. The Company incurred financing costs of \$165 in connection with this placement of convertible debentures.
- (c) Effective August 12, 2010, the Company completed a brokered private placement of 1,625 units of non-redeemable, secured convertible debentures, in denominations of one thousand dollars, in the aggregate principal amount of \$1,625. The convertible debentures bear interest at a rate of 15% per annum, payable semi-annually on February 28 and August 31, and mature on August 12, 2012. Holders may convert principal and accrued but unpaid interest under their debentures into common shares of the Company at any time prior to their maturity at a conversion price of 10.0 cents per share. The Company incurred financing costs of \$578 in connection with this placement of convertible debentures.
- (d) Effective August 12, 2010, the Company completed a non-brokered private placement of 875 units of debentures primarily with related parties, in denominations of one thousand dollars, in the aggregate principal amount of \$875. The debentures bear interest at a rate of 17.5% per annum, payable monthly and mature on August 12, 2012. The Company has the option to repay the debt prior to maturity without penalty. The Company incurred financing costs of \$89 in connection with this placement of debentures.
- (e) Effective November 5, 2010, the Company completed a brokered private placement of 1,500 units of debentures, in denominations of one thousand dollars, in the aggregate principal amount of \$1,500. The debentures bear interest at a rate of 10% per annum, payable at maturity and mature on May 5, 2011. The Company has the option to repay the debt prior to maturity without penalty. The Company incurred financing costs of \$174 of which \$98 was paid in cash and the remainder paid through the issuance of 617,000 common shares and 100,000 broker warrants. This debt has been classified as a current liability and was repaid on March 2, 2011 without penalty (Note 16).

All of the Company's convertible debentures grant a security interest in and to all of the Company's present and future personal property as collateral for the debt. In addition, the debentures issued on August 12, 2010 and November 5, 2010 are secured by certain assets owned by a company controlled by the Company's Chairman of the Board.

December 31, 2010 and 2009

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

7. Debentures (cont'd)

For each convertible debenture, the debt component has been measured as the present value of the cash payments of interest and principal due over the term of the convertible debenture discounted at a market rate of interest, which is the estimated cost of borrowing for a similar non-convertible financial instrument with comparable terms and risk at the date of issue.

	June 26, 2009	December 23, 2009	August 12, 2010	Total
Convertible debentures				
Proceeds	\$ 2,465	\$ 4,000	\$ 1,625	\$ 8,090
Less amounts allocated to:				
Equity component - conversion rights	(486)	(609)	(4)	(1,099)
Warrant component	(41)	(225)	(240)	(506)
Amount allocated to debt component	1,938	3,166	1,381	6,485
Debt component of financing charges	(51)	(131)	(416)	(598)
Accretion of debt component	258	291	88	637
	\$ 2,145	\$ 3,326	\$ 1,053	6,524
Non-convertible debentures				
August 12, 2010 issuance of 875 units of debentures (d)				800
November 5, 2010 issuance of 1,500 units of debentures (e)				1,276
				8,600
Current portion of debentures				(1,276)
Balance at December 31, 2010				\$ 7,324

	June 26, 2009	December 23, 2009	Total
Convertible debentures			
Proceeds	\$ 2,465	\$ 4,000	\$ 6,465
Less amounts allocated to:			
Equity component - conversion rights	(486)	(609)	(1,095)
Warrant component	(41)	(225)	(266)
Amount recorded as debt component	1,938	3,166	5,104
Debt component of financing charges	(51)	(131)	(182)
Accretion of debt component	82	24	106
Balance at December 31, 2009	\$ 1,969	\$ 3,059	\$ 5,028

(In thousands of Canadian dollars, except share data)

8. Equity Instruments

- a) Authorized
 Unlimited common shares without par value
 Unlimited preferred shares without par value, non cumulative, redeemable and non-voting

There are no issued and outstanding preferred shares.

- b) Issued and outstanding common shares

- (i) The Company has an employee stock purchase plan for all eligible employees. Under the plan, shares of the Company's common stock may be purchased at three-month intervals at 85% of the weighted average trading price of each of the three-month periods. Employees may contribute from 3% to 20% of their gross base salary. During the year ended December 31, 2010, 180,199 common shares (2009 – 1,110,567) were issued to employees at an average price of 12.9 cents per share (2009 – 6.7 cents). At December 31, 2010, 6,995,113 common shares were reserved for future issuance.
- (ii) In 2010, the Company issued 2,891,865 common shares with a value of \$360 under a "shares for rent" agreement with one of its landlords. Under the terms of the agreement, at the Company's option the landlord investor shall subscribe for a number of the Company's common shares in exchange for the value of quarterly net rent. The number of common shares, calculated on the first day of each quarter, is equal to the net rent due divided by a denominator equal to the previous five-day weighted average closing price of the common shares. The agreement commenced on July 1, 2009 and ends on September 30, 2012.
- (iii) On November 5, 2010, the Company issued \$1,500 of debentures (Note 7(e)). As part of this debt issuance, the Company issued 1,500,000 common shares to the debenture holders and 617,000 common shares to agents for commissions and fees related to the debt issuance.

- c) Issued and outstanding warrants

	Weighted Average Exercise Price (cents)	Number
Balance, January 1, 2009	22.5	3,910,406
Warrants issued in connection with convertible debentures (ii)(iii)	22.5	2,511,600
Balance, December 31, 2009	22.5	6,422,006
Warrants issued in connection with convertible debentures (iv)	12.0	3,250,000
Agent warrants issued in connection with debentures (v)	11.0	100,000
Warrants expired (i)	22.5	(3,910,406)
Warrants extended (i)	22.5	2,888,523
Balance, December 31, 2010	18.5	8,750,123

(In thousands of Canadian dollars, except share data)

8. Equity Instruments (cont'd)

Exercise Price (cents)	Weighted Average Remaining Life (years)	Number
22.5	0.80	2,511,600
22.5	1.16	2,888,523
12.0	3.62	3,250,000
11.0	3.85	100,000
	2.00	8,750,123

- (i) On August 17, 2004, the Company completed the reverse takeover of a public company, GRD. Upon the completion of this business combination, 4,360,035 previously issued warrants were repriced to 22.5 cents each (pre-business combination price 61.0 cents), of which 3,910,406 remained outstanding at January 1, 2009. Each warrant holder is entitled to acquire one common share of the Company for each warrant. On August 16, 2010, the Company reached agreement with the holders of 2,888,523 warrants to extend the expiry date to February 28, 2012. In consideration for the extension of the warrants, the warrant holders paid 1.6 cents per warrant as an extension fee, for a gross aggregate amount of \$45. As at December 31, 2010, 2,888,523 warrants remained unexercised.
- (ii) On June 26, 2009, the Company issued \$2,465 of convertible debentures (Note 7(a)). As part of this debt issuance, the Company issued 591,600 warrants. Each warrant holder is entitled to acquire one common share of the Company for each warrant at a price of 22.5 cents per share until June 26, 2011. As at December 31, 2010, 591,600 warrants remain unexercised.

The fair value of each warrant of 6.9 cents was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.0%, an expected volatility of 128% and an expected life of 2.0 years. An amount of \$40 net of financing charges was allocated to contributed surplus in 2009.

- (iii) In the fourth quarter of 2009, the Company issued a total of \$4,000 of convertible debentures (Note 7(b)). As part of these debt issuances, the Company issued 1,920,000 warrants. Each warrant holder is entitled to acquire one common share of the Company for each warrant at a price of 22.5 cents per share. 1,219,200 warrants are exercisable until November 6, 2011 and 700,800 warrants are exercisable until December 23, 2011. As at December 31, 2010, 1,920,000 warrants remain unexercised.

The fair value of each warrant issued on November 6, 2009 of 11.9 cents was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.3%, an expected volatility of 127% and an expected life of 2.0 years. The fair value of each warrant issued on December 23, 2009 of 11.4 cents was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.1%, an expected volatility of 126% and an expected life of 2.0 years. An amount of \$216 net of financing charges was allocated to contributed surplus in 2009.

(In thousands of Canadian dollars, except share data)

8. Equity Instruments (cont'd)

- (iv) On August 12, 2010, the Company issued \$1,625 of convertible debentures (Note 7(c)). As part of this debt issuance, the Company issued 3,250,000 warrants. Each warrant holder is entitled to acquire one common share of the Company for each warrant at a price of 12.0 cents per share until August 12, 2014. As at December 31, 2010, 3,250,000 warrants remain unexercised.

The fair value of each warrant of 7.4 cents was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 2.3%, an expected volatility of 115% and an expected life of 4.0 years. An amount of \$168 net of \$72 in financing costs was allocated to contributed surplus in 2010.

- (v) On November 5, 2010, the Company issued \$1,500 of debentures (Note 7(e)). As part of this debt issuance, the Company issued 100,000 agent warrants for fees related to the debt issuance. The agent warrant holder is entitled to acquire one common share of the Company for each agent warrant at a price of 11.0 cents per share until November 5, 2014. As at December 31, 2010, 100,000 agent warrants remain unexercised.

The fair value of each agent warrant of 8.3 cents was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.8%, an expected volatility of 114% and an expected life of 4.0 years. An amount of \$8 was allocated to contributed surplus in 2010.

d) Issued and outstanding broker warrants

	Weighted Average Exercise Price	Number
Broker warrants issued in connection with convertible debentures (i)	\$ 1	90
Balance, December 31, 2009	1	90
Broker warrants issued in connection with convertible debentures (ii)	1	137.25
Balance, December 31, 2010	\$ 1	227.25

(In thousands of Canadian dollars, except share data)

8. Equity Instruments (cont'd)

Exercise Price	Weighted Average Remaining Life (years)	Number
\$ 1	0.98	90
\$ 1	3.62	137.25
	2.57	227.25

- (i) As part of the December 23, 2009 brokered private placement (Note 7(b)), the Company paid the agent cash compensation of \$81 and issued 90 broker warrants. Each broker warrant entitles the holder to purchase one thousand dollars principal amount of the December 23, 2009 convertible debenture issuance, exercisable until December 23, 2011. As at December 31, 2010, 90 broker warrants remain unexercised.

The fair value of the broker warrants was estimated in two components as follows:

- The value of the equity conversion feature of the debenture wherein 90 debentures can be exchanged for 180,000 common shares of the Company. The fair value of the conversion feature of 8.4 cents was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.1%, an expected volatility of 134%, an effective exercise price of 50.0 cents per share and an expected life of 1.7 years.
- The value of 43,200 warrants issued with the 90 debentures. The fair value of each warrant of 11.4 cents is the same as calculated above and was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.1%, an expected volatility of 134%, an effective exercise price of 50.0 cents per share and an expected life of 1.7 years.

The fair value of the broker warrants of \$20 was allocated to contributed surplus in 2009.

- (ii) As part of the August 12, 2010 brokered private placement (Note 7(c)), the Company paid the agent cash compensation of \$157, and issued 137.25 broker warrants. Each broker warrant entitles the holder to purchase one thousand dollars principal amount of the August 12, 2010 convertible debenture issuance, exercisable until August 12, 2014. As at December 31, 2010, 137.25 broker warrants remain unexercised.

The fair value of the broker warrants was estimated in two components as follows:

- The value of the equity conversion feature of the debenture wherein 137.5 debentures can be exchanged for 1,372,500 common shares of the Company. The fair value of the conversion feature of 6.8 cents was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.6%, an expected volatility of 127%, an effective exercise price of 10.0 cents per share and an expected life of 2.4 years.
- The value of 274,500 warrants issued with the 137.5 debentures. The fair value of each warrant of 7.4 cents is the same as calculated above and was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 2.3%, an expected volatility of 115%, an effective exercise price of 12.0 cents per share and an expected life of 4.0 years.

The fair value of the broker warrants allocated to contributed surplus in 2010 was \$114.

(In thousands of Canadian dollars, except share data)

8. Equity Instruments (cont'd)

e) Options

Under the Company's current Stock Option Plan (the "Plan"), the Company's directors may approve the issuance of stock options to directors, officers and employees and agents of the Company and its affiliates. The aggregate number of shares reserved for issuance under the Plan is up to 15% of the number of outstanding common shares. Since the inception of the Plan, the Company has granted 29,342,250 stock options to its employees, officers and directors. As at December 31, 2010, 12,228,750 stock options remain outstanding at prices ranging from 7.0 cents to 58.0 cents per share. Options for the Company's directors vest immediately, while options for employees generally vest ratably over a period of three years, except for the 9,962,500 options granted on February 25, 2009, which vest ratably over a period of two years. All options have a life of five years and have expiry dates ranging from January 9, 2011 to December 1, 2015.

The Company measures compensation costs associated with stock-based compensation using the fair value method and the cost is recognized over the vesting period of the underlying security. The fair value of each option is determined at the grant date using the Black-Scholes option valuation model with the following weighted average assumptions:

	2010	2009
Risk-free rate	1.4%	1.4%
Dividend yield	0.0%	0.0%
Volatility rate	119.3%	97.5%
Expected option life	3.00 years	3.00 years
Fair value	10.2 cents per share	5.9 cents per share

For the year ended December 31, 2010, \$291 (2009 - \$347) has been recorded as stock-based compensation related to options with the corresponding amount charged to contributed surplus.

- (i) The following table sets out information concerning stock options issued to employees, consultants, directors and officers that were outstanding at December 31, 2010 and December 31, 2009:

	Weighted Average Exercise Price (cents)	Number of Options
Balance, January 1, 2009	45.1	1,465,833
Options granted	9.0	10,862,500
Options forfeited	20.4	(1,068,333)
Balance, December 31, 2009	12.2	11,260,000
Options granted	15.4	4,691,250
Options exercised	7.5	(52,500)
Options forfeited	17.2	(3,670,000)
Balance, December 31, 2010	11.9	12,228,750

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Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

8. Equity Instruments (cont'd)

- (ii) The following table summarizes information about the stock options outstanding at December 31, 2010:

Range of Exercise Prices per Share (cents)	Number of Options Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price (cents)	Number of Options Vested/ Exercisable	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price (cents)
0 to 10.0	7,325,000	3.22	7.6	3,465,417	3.15	7.5
10.1 to 20.0	4,219,375	4.15	15.0	842,501	3.61	16.6
20.1 to 30.0	201,875	3.04	23.2	99,997	2.67	24.0
30.1 to 40.0	200,000	4.92	35.0	-	-	-
40.1 to 60.0	282,500	0.40	54.7	268,333	0.29	54.9
0 to 60.0	12,228,750	3.50	11.9	4,676,248	3.06	12.2

9. Related Party Transactions

The Company had the following related party transactions:

- (a) Included in general and administrative expenses during the year ended December 31, 2010 are \$226 (2009 - \$338) of consulting services paid to companies controlled or influenced by directors and management contractors of the Company.
- (b) Included in accounts payable and accrued liabilities is \$115 (2009 - \$92) due to various directors, companies controlled or influenced by directors and management contractors of the Company, all of which are for services rendered and reimbursement of expenses.
- (c) Included in accounts receivable at December 31, 2009 was \$50 due from senior management for the purchase of convertible debentures issued December 23, 2009. This amount was received in full on January 3, 2010.
- (d) During 2010, the Company made interest payments on convertible debentures of \$66 (2009 - \$12) to directors, senior management and management contractors of the Company.
- (e) During 2010, senior management and directors of the Company purchased \$905 (2009 - \$380) in aggregate principal amount of debentures as part of the debt financings described in Note 7.

All the related party transactions are in the normal course of operations and have been measured at the exchange amounts.

December 31, 2010 and 2009

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, except share data)

10. Income Taxes

The effective tax rates of income tax vary from the statutory rates as follows:

	2010	2009
Combined statutory tax rates	28.0%	29.0%
Expected income tax recovery at statutory rates	\$ 2,392	\$ 3,503
Permanent differences	(74)	(353)
Change in tax rates	(408)	(963)
Increase (decrease) in tax reserves	4	(280)
Change in valuation allowance	(1,910)	(2,187)
Recovery of (provision for) income tax	\$ 4	\$ (280)

The difference between the effective rate and the actual rate is attributable to the fact that no future income tax assets have been recorded for available loss carryforwards and other deductible temporary differences as their ultimate utilization is not more likely than not.

Future income taxes reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for income tax purposes. Future income tax assets are calculated and, as their realization is not considered likely, a valuation allowance is provided.

Significant components of the future income tax assets and liabilities include the following:

	2010	2009
Property and equipment and other assets	\$ 1,761	\$ 775
Share issuance costs	243	219
Unused tax loss carryforwards	13,563	12,208
	15,567	13,202
Valuation allowance	(15,567)	(13,202)
Future income tax assets	\$ -	\$ -
Reserve for future income tax assessments included in accrued liabilities	\$ 559	\$ 595

(In thousands of Canadian dollars, except share data)

10. Income Taxes (cont'd)

As at December 31, 2010, subject to confirmation from the respective income tax authorities, the Company has a total of \$52,617 of non-capital losses that are available for carryforward to offset future years' taxable income expiring as follows:

	Non-Capital Losses
2014	\$ 1,018
2015	1,279
2026	5,585
2027	11,137
2028	17,474
2029	9,639
2030	6,485
	<u>\$ 52,617</u>

For Canadian tax purposes, the Company has non-capital losses of \$51,143 and for U.S. tax purposes, the Company has net operating losses of \$1,474 that have a 15-year carry forward period.

11. Commitments and Contingencies**a) Leases**

The Company has obligations under long-term operating leases, license agreements and agreements for premises and office equipment for various periods up to 2013. Future minimum annual lease payments over the next three years are as follows:

	Facilities	Equipment	Total
2011	\$ 748	\$ 22	\$ 770
2012	\$ 652	\$ 1	\$ 653
2013	\$ 200	\$ -	\$ 200

b) General

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims from customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. The required provision may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

Management believes that adequate provisions have been recorded in the accounts, where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurances, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position or results of operations of the Company.

(In thousands of Canadian dollars, except share data)

12. Financial Instruments and Risk Management**Classification of financial instruments**

Upon initial recognition, all financial instruments are recorded on the consolidated balance sheets at their fair values. After initial recognition, the financial instruments are measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost using the effective interest rate method. Changes in the fair value of held-for-trading financial instruments are recognized in net income for the year. The Company does not hold any held-to-maturity investments or available-for-sale financial assets.

The Company holds various forms of financial instruments as follows:

	Designation	Measurement	2010	2009
Cash and cash equivalents and restricted cash	Held-for-trading	Fair value	\$ 380	\$ 3,569
Accounts receivable	Loans and receivables	Amortized cost	\$ 1,697	\$ 1,732
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	\$ 2,517	\$ 2,589
Other liabilities	Other financial liabilities	Amortized cost	\$ 82	\$ 879
Debentures	Other financial liabilities	Amortized cost	\$ 8,600	\$ 5,028

Held-for-trading

The Company has classified its cash and cash equivalents and restricted cash as held-for-trading. These instruments are accounted for at fair value with the change in fair value recognized in net income during the year. As at December 31, 2010, the Company held \$10 (2009 - \$103) of cashable guaranteed investment certificates bearing a weighted average interest rate of 0.3% (2009 - 0.3%).

Loans and receivables

Accounts receivable are classified as loans and receivables, which are measured at amortized cost.

Other financial liabilities

Accounts payable and accrued liabilities, other liabilities and debentures are classified as other financial liabilities and are measured at amortized cost.

For the years ended December 31, 2010 and December 31, 2009, the Company has not utilized derivative instruments. The Company has no derivatives embedded in its financial or non-financial contracts.

(In thousands of Canadian dollars, except share data)

12. Financial Instruments and Risk Management (cont'd)**Financial risk management**

The nature of these financial instruments and the Company's operations expose the Company 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.

Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable.

At December 31, 2010, primarily all of the Company's cash was held at one financial institution.

The Company, in the normal course of business, is exposed to credit risk from its customers. The accounts receivable are subject to normal credit risks. Any amounts not provided for are considered fully collectible. For the year ended December 31, 2010, the Company earned 24% of its revenue from one customer as a result of the completion of delivery of a workstation solution, and 18% from a separate directory publisher. Otherwise, the Company earned no more than 14% of its revenue from one single customer. For the year ended December 31, 2009, the Company earned 18% of its revenue from one European directory service provider and 12% from one Canadian directory service provider.

At December 31, 2010, the Company had \$911 (2009 - \$911) receivable from a Canadian customer. This customer is disputing scheduled payments for maintenance and support services and repayment of technology development costs previously incurred by the Company. The Company continues to actively pursue resolution of the matter and has commenced legal proceedings. The Company expects full payment of the amounts and no provision has been provided. However, as the amount is in dispute there is uncertainty as to the final outcome.

The following table provides the details of the aged receivables and the related allowance for doubtful accounts:

	2010	2009
Current	\$ 257	\$ 279
31 to 60 days	210	405
61 to 90 days	66	22
Over 90 days	1,164	1,040
Less: allowance for doubtful accounts	-	(14)
Total accounts receivable, net	\$ 1,697	\$ 1,732

(In thousands of Canadian dollars, except share data)

12. Financial Instruments and Risk Management (cont'd)*Liquidity risk*

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. Further discussion with regard to the Company's liquidity management is described in Note 1 to the consolidated financial statements.

The contractual maturities of the Company's financial liabilities, including interest charges, as at December 31, 2010 are as follows:

	2011	2012
Accounts payable and accrued liabilities	\$ 2,517	\$ -
Debentures – non-convertible	1,500	875
Debentures – convertible	-	8,090
Interest	1,211	987
	<u>\$ 5,228</u>	<u>\$ 9,952</u>

Foreign currency risk

The Company operates internationally and is exposed to risk from changes in foreign currency rates. 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 exposure arises from U.S. dollar revenue and costs. For the year ended December 31, 2010, approximately 56% of revenue and 12% of costs were transacted in U.S. dollars. As a result, the Company may experience transaction exposure because of volatility in the exchange rate between the Canadian and U.S. dollar. Based on the Company's current U.S. denominated net outflows, as at December 31, 2010, an increase in the value of the U.S. dollar versus the Canadian dollar of 10% would, everything else being equal, have an effect of increasing revenue by 5.6%, increasing costs by 1.2% and increasing the income from operations by 2.1%. A decrease in the value of the U.S. dollar would effect a corresponding decrease by these percentages.

The Company is also exposed to foreign exchange risk from transactions in British pounds, Euros and Danish kroner. Fluctuations of 10% in the exchange rates for these currencies, when compared to the Canadian dollar, are not expected to individually have a material impact on the Company's results of operations.

(In thousands of Canadian dollars, except share data)

12. Financial Instruments and Risk Management (cont'd)

Interest rate risk

The Company is exposed to interest rate risk through its financial assets. The Company manages interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity reserves necessary to meet day-to-day operating cash flow requirements.

The Company believes that interest rate risk is not significant, as interest rates on short-term investments range from 0.1% to 0.3%. A 50 basis points change in interest rates would have no significant impact per quarter based on December 31, 2010 financial asset balances.

For the years ended December 31, 2010 and December 31, 2009, the Company has no variable interest-bearing financial obligations.

Fair values of financial instruments

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

The fair values of the debentures, which are estimated by discounting their future cash flows at a rate of 20%, are \$9,877 (2009 – \$5,028).

Financial assets and liabilities are measured using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy of inputs is summarized below.

Level 1 – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Fair value is based on inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 – Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and cash equivalents and restricted cash carried on the consolidated balance sheets at fair value are classified as Level 1. There are no financial instruments valued according to Level 2 or Level 3.

(In thousands of Canadian dollars, except share data)

13. Capital Management

The Company's objective when managing capital is to ensure that it has adequate financial resources to maintain liquidity necessary to fund its operations and provide returns for shareholders and benefits to other stakeholders. The capital structure of the Company consists of common equity issues and convertible debentures.

The Company manages its capital structure and makes adjustments to it based on the level of funds available to the Company to manage its operations. Upon approval of the Board of Directors, the Company balances its overall capital through new share issuances or by undertaking other activities as deemed appropriate in the circumstances. The Company is not subject to externally imposed capital requirements.

There have been no changes in the Company's approach to capital management during the year.

14. Segmented Information**Operating segment**

The Company operates in the sale and service of software and hosting solutions and all sales are made in this segment. Management assesses performance and makes decisions about allocating resources based on the one operating segment.

Product category information

The Company earned revenue attributed to the following product categories based on the main product or service sold to the customer:

	2010	2009
Voice	\$ 1,291	\$ 893
SMS Data	382	1,195
Workstations	2,533	1,399
Total	\$ 4,206	\$ 3,487

Geographic information

The Company earned revenue attributed to the following regions based on the geographical location of the customer:

	2010	2009
North America	\$ 1,553	\$ 1,205
Rest of world	2,653	2,282
Total	\$ 4,206	\$ 3,487

Substantially all of the Company's property and equipment are located in North America.

(In thousands of Canadian dollars, except share data)

15. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's consolidated financial statement presentation.

16. Subsequent Event

Debenture Financing

Effective March 2, 2011, the Company completed a brokered private placement of 5,000 non-redeemable, secured convertible debentures, in denominations of one thousand dollars, in the aggregate principal amount of \$5,000. The debentures bear interest at a rate of 12% per annum, payable semi-annually on February 28 and August 31, and mature on March 2, 2015. Holders may convert principal into common shares of the Company at any time prior to their maturity at a conversion price of 25.0 cents per share. The debentures are not redeemable by the Company prior to maturity. Concurrent with this placement, the Company redeemed the debentures issued on November 5, 2010 for \$1,500.

28. APPENDIX C: 2009 AUDITED FINANCIAL STATEMENTS

**Call Genie Inc.
Consolidated Financial Statements
For the years ended December 31, 2009 and 2008**

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Auditors' Report

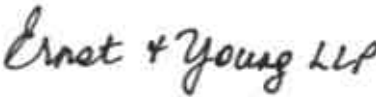
To the Shareholders of Call Genie Inc.

We have audited the consolidated balance sheets of Call Genie Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
March 23, 2010

A handwritten signature in black ink that reads 'Ernst & Young LLP' in a cursive, stylized font.
Chartered Accountants
Licensed Public Accountants

Call Genie Inc.
Consolidated Balance Sheets

As at December 31	2009	(restated – Note 3) 2008
Assets		
Current assets:		
Cash and cash equivalents (Note 18)	\$ 3,447,084	\$ 4,975,440
Accounts receivable (Notes 13(c) and 18)	1,732,109	552,339
Prepaid expenses and deposits	185,084	240,018
	<u>5,364,277</u>	<u>5,767,797</u>
Deposits	55,402	87,140
Restricted cash (Note 9)	122,237	-
Capital assets (Notes 5 and 20)	602,806	1,026,473
Goodwill (Notes 4, 6 and 20)	2,290,055	2,396,140
Intangible assets (Notes 3 and 7)	5,411,362	4,869,081
	<u>\$ 13,846,139</u>	<u>\$ 14,146,631</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Notes 8 and 13(b))	\$ 2,589,328	\$ 1,832,996
Current portion of deferred revenue	3,186,626	667,971
	<u>5,775,954</u>	<u>2,500,967</u>
Other liabilities (Note 8)	878,736	123,252
Deferred revenue	1,511,678	268,269
Convertible debentures (Note 9)	5,027,837	-
	<u>13,194,205</u>	<u>2,892,488</u>
Shareholders' equity:		
Equity instruments (Note 10)	51,182,642	51,108,709
Equity portion of convertible debentures (Note 9)	1,057,712	-
Contributed surplus (Note 11)	5,886,162	5,263,277
Deficit	(57,552,884)	(45,194,231)
Accumulated other comprehensive income (Note 12)	78,302	76,388
	<u>651,934</u>	<u>11,254,143</u>
	<u>\$ 13,846,139</u>	<u>\$ 14,146,631</u>

Going concern (Note 1)

Commitments and contingencies (Notes 16 and 17)

Approved on behalf of the Board:

“Signed” _____ Director
Richard DeVries

“Signed” _____ “ Director
S. Graeme Ross

Call Genie Inc.
Consolidated Statements of Operations

(restated – Note 3)

For the years ended December 31	2009	2008
Revenue (Notes 18 and 20)	\$ 3,486,633	\$ 4,267,353
Cost of sales (Note 18)	2,072,986	3,292,523
Gross margin	1,413,647	974,830
Expenses (Note 13):		
Sales and marketing	3,503,083	5,475,989
Technology and product development	3,774,932	6,514,193
General and administrative	3,957,036	5,642,599
Stock-based compensation (Note 10)	347,422	2,602,792
Amortization (Note 14)	1,532,058	1,572,918
	13,114,531	21,808,491
Loss from operations	(11,700,884)	(20,833,661)
Other income (expense):		
Interest and accretion on convertible debentures (Note 9)	(284,660)	-
Interest income	2,342	395,527
Foreign exchange loss	(95,451)	(36,976)
Provision for income tax expense (Note 15)	(280,000)	-
Net loss for the year	\$ (12,358,653)	\$ (20,475,110)
Basic and diluted loss per share	\$ (0.15)	\$ (0.25)
Weighted average number of shares – basic and diluted	82,948,977	82,163,992

Call Genie Inc.

Consolidated Statements of Comprehensive Loss and Deficit

(restated – Note 3)

For the years ended December 31	2009	2008
Comprehensive loss:		
Net loss for the year	\$ (12,358,653)	\$ (20,475,110)
Other comprehensive income (loss)		
Unrealized foreign currency translation adjustment	1,914	(28,008)
Comprehensive loss	\$ (12,356,739)	\$ (20,503,118)
Deficit, beginning of year (as previously stated)	\$ (45,085,514)	\$ (24,621,239)
Adoption of new accounting policy (Note 3)	(108,717)	(97,882)
Deficit, beginning of year (restated)	\$ (45,194,231)	\$ (24,719,121)
 Net loss for the year	 (12,358,653)	 (20,475,110)
 Deficit, end of year	 \$ (57,552,884)	 \$ (45,194,231)

Call Genie Inc.
Consolidated Statements of Cash Flows

For the years ended December 31	2009	(restated – Note 3) 2008
Cash flows from operating activities		
Net loss for the year	\$ (12,358,653)	\$ (20,475,110)
Items not involving cash:		
Stock-based compensation	347,422	2,602,792
Amortization of capital assets and intangible assets	1,532,058	1,572,918
Accretion on convertible debentures	105,937	-
Amortization of lease inducements	(17,291)	-
	(10,390,527)	(16,299,400)
Changes in non-cash working capital:		
Accounts receivable	(1,179,770)	862,088
Prepaid expenses and deposits	86,672	138,812
Accounts payable and accrued liabilities	285,369	(550,655)
Deferred salary payable	372,943	-
Deferred revenue	3,762,064	346,826
	(7,063,249)	(15,502,329)
Cash flows from financing activities		
Issuance of common shares, net of issuance costs	73,933	-
Proceeds of convertible debentures, net of cash issuance costs	6,255,075	-
Restricted cash held for interest payments (Note 9)	(122,237)	-
Repurchase of common shares (Note 10(e))	-	(65,116)
	6,206,771	(65,116)
Cash flows from investing activities		
Purchase of capital assets	(64,080)	(875,276)
Acquisition of intangible assets, net of accrued and other liabilities	(607,798)	(153,291)
Lease inducements received	-	97,065
Acquisition of PhoneSpots Inc. (Note 4)	-	(709,898)
Restricted cash held for pending acquisition	-	696,425
Corporate transaction costs	-	65,143
	(671,878)	(879,832)
Net decrease in cash and cash equivalents	(1,528,356)	(16,447,277)
Cash and cash equivalents, beginning of year	4,975,440	21,422,717
Cash and cash equivalents, end of year	\$ 3,447,084	\$ 4,975,440
Supplemental cash flow information		
Cash payment for interest charged to income	\$ 86,444	-
Cash payment for income taxes charged to income	\$ 31,338	-

Call Genie Inc.
Notes to Consolidated Financial Statements

December 31, 2009 and 2008

1. Nature of Operations and Going Concern

Call Genie Inc. (the "Company" or "CGI") was incorporated under the laws of Canada on October 17, 2000 and was continued into Alberta on February 5, 2003. On August 17, 2004, the Company amalgamated with GRD Enterprises Inc. ("GRD") with CGI being the surviving entity.

The Company is a leading provider of local mobile search and advertising solutions. These solutions enable Yellow Pages publishers, directory assistance providers and wireless carriers to increase revenue by offering a localized, mobile search capability that connects consumers with merchants. CGI created its broad product suite as a way to connect companies with voice and data traffic to companies that have monetizable content. This ecosystem provides a new revenue stream to both the carrier and content provider while providing consumers with relevant local merchant content.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company began commercial operations in October 17, 2000 and, to date, has incurred losses amounting to \$57,552,884 and has a working capital deficiency of \$411,677 (2008 - \$3,266,830).

The Company's future operations are dependent upon its ability to secure additional funds and/or secure sales contracts which provide the Company with adequate funds to cover the cash flows projected for the fiscal 2010 year. If the Company does not secure such contracts, or if it cannot secure additional financing, the Company will have to consider additional strategic alternatives which may include, among other strategies, exploring the monetization of certain intangible assets, modification of planned operating expenditures, or sale of the Company. These factors raise substantial doubt as to the Company's ability to continue as a going concern. These 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.

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian GAAP. The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Call Genie (Ontario) Inc., Call Genie (USA) Inc., Call Genie Europe B.V., BTS Logic Europe ApS ("BTS"), PhoneSpots Inc. ("PS") and PhoneSpots Limited, from their respective dates of incorporation or acquisition, as applicable.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments with maturities at the date of acquisition of less than three months.

December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (cont'd)

(c) Research and development costs

Research costs are expensed as incurred. Development costs are deferred if the product or process and its market or usefulness is clearly defined, the product or process has reached technical feasibility, adequate resources exist or are expected to exist to complete the project and management intends to market or use the product or process. If these criteria are not met, the development costs are expensed as incurred.

(d) Revenue recognition

The Company enters into arrangements of three broad categories: (i) recurring multi-year service-oriented hosting arrangements, (ii) software license arrangements which include provision of software licenses, implementation services and post-contract support ("PCS"), and (iii) services. Revenue from these arrangements is recognized when earned, specifically when all the following conditions are met: software licenses are delivered and/or services are provided, there is clear evidence that an arrangement exists, amounts are fixed or determinable and collectibility is reasonably assured.

Hosting arrangements

The Company enters into hosting arrangements whereby the underlying software is maintained and operated in Company data centre facilities. The Company earns transaction automation fees, system maintenance fees, hosting fees and, in some cases, a share of customer advertising revenue from the service provided to the customer. The Company may also earn advertising revenue directly from advertising partners. Advertising revenue is recorded net of any revenue share portion retained by, or paid to, advertising sources or partners. Revenues for the fixed portion of these fees are recognized ratably over the contract period, while revenues for the variable portion of these fees are recognized as earned. In addition, the Company may charge for implementation or set-up fees in connection with the service provided. These fees are recognized ratably over the term of the contract, commencing upon completed delivery of the implementation and integration services.

Software license arrangements

The Company also offers complete solutions integrated into the customers' data centres. These solutions may involve the delivery of multiple services and products occurring at different points in time and/or over different periods of time. Revenue recognition for these arrangements is determined based on evaluation of the individual elements of the arrangements. If vendor-specific objective evidence of fair value ("VSOE") of all the undelivered elements exists and the undelivered elements are not essential to the functionality of the delivered elements, separate units of accounting are identified, the total arrangement consideration is allocated to the individual units of accounting following the residual method and revenue for the individual elements is recognized when the general revenue recognition criteria are met for that element. If VSOE of all undelivered elements does not exist, the entire arrangement is treated as one unit of accounting and revenue is deferred and recognized ratably over the remaining term of the PCS contract, commencing when all elements except for PCS are delivered.

Services

The Company also enters into annual standalone renewals of PCS after the initial contract has been completed. The Company recognizes these PCS revenues ratably over the PCS period. In addition, the Company provides standalone consulting services, training and minor system enhancements as requested from time to time by its customers. These service revenues are recorded as the services are provided.

The timing of revenue recognition sometimes differs from the contract payment schedule, resulting in revenues that have been earned but not billed. These amounts are recorded as unbilled contract revenue. Amounts billed in accordance with customer contracts but not yet earned are deferred and recorded as revenue in the period earned.

December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (cont'd)

(e) Cost of sales

The Company includes in cost of sales direct costs related to operating of the enhanced voice directory service and Short Message Service ("SMS") delivery service which includes employee salaries and benefits, telephony costs, hosting, network, prize fees and other third-party charges.

(f) Capital assets

Capital assets are recorded at cost, less accumulated amortization. Amortization is provided on a straight-line basis over the following estimated useful lives of the assets:

Leasehold improvements	Term of the lease
Furniture and equipment	5 years
Computer hardware	3 years

(g) Operating leases

Costs of operating leases are charged to income on a straight-line basis over the term of the lease.

(h) Capital leases

Capitalized assets acquired under capital lease agreements and their related liabilities are reported at the present value of the minimum lease payments.

(i) Lease inducements

Lease inducements comprise free rent and leasehold improvement incentives. Lease inducements are deferred and amortized to rent expense on a straight-line basis over the term of the related lease.

(j) Impairment of long-lived assets

Capital assets and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of the asset exceeds the estimated undiscounted future cash flows from the use and eventual disposition of the asset, then an impairment loss is recognized to write the asset down to fair value.

(k) Intangible assets

Intangible assets are recorded at cost, less accumulated amortization. Amortization is provided on a straight-line basis over the following estimated useful lives of the assets:

Acquired technology	7 years
Customer lists	7 years
Rights licenses	3 years
Software licenses	1 year

The Company does not hold any indefinite-lived intangible assets.

(l) Goodwill

Goodwill, being the excess of the purchase price over the assigned values of the net assets acquired, is stated at cost. The Company's goodwill is not amortized, but is tested for impairment at least annually. Goodwill is tested for impairment between annual tests when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying amount. Goodwill impairment is assessed based on the comparison of the fair value of each reporting unit to which goodwill has been attributed to the carrying value of the reporting unit's net assets, including goodwill. When the carrying amount of the reporting unit exceeds its fair value, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of impairment loss, if any. The implied fair value of goodwill is determined in the same manner as in a business combination.

December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (cont'd)

(m) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income tax expense is recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are determined based on the differences between the tax and accounting bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(n) Earnings (loss) per share

Basic earnings (loss) per common share are computed by dividing earnings (loss) by the weighted average number of common shares outstanding for the year. Diluted earnings (loss) per share considers the dilutive impact of the exercise of outstanding stock options, warrants and the conversion of convertible debentures, as if the events had occurred at the beginning of the period or at a time of issuance, if later. The treasury stock method is used to determine the dilutive effect of stock options and warrants, in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3500, *Earnings Per Share*. As the effect of all outstanding options, warrants and convertible debentures is anti-dilutive during a period when the Company incurs a loss, diluted earnings (loss) per share does not differ from basic earnings (loss) per share.

(o) Stock-based compensation

The Company accounts for its stock-based compensation programs using the fair value method in accordance with CICA Handbook Section 3870 *Stock-Based Compensation and Other Stock-Based Payments*. Under this method, stock-based compensation expense related to these programs is charged to income with the corresponding amount increasing contributed surplus over the vesting period. When an employee leaves the Company, any associated options are forfeited and any expense recorded in the consolidated financial statements related to unvested options is recovered in the period in which the employee forfeits the options. On the exercise of options, consideration received and the related accumulated contributed surplus is credited to common shares.

(p) Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates in the future. The most significant estimates relate to the valuation of capital assets, intangible assets, goodwill, deferred costs, future income tax assets and liabilities, stock-based compensation, allowance for doubtful accounts, equity portion of convertible debentures and revenue recognition VSOE.

(q) Translation of foreign currencies

The Company's foreign operations in Denmark are classified as self-sustaining. All assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars using the current rate method, at exchange rates in effect at year end. Revenues and expenses are translated at the average rates of exchange prevailing during the year. The resulting unrealized gains or losses on translation of the Company's net investment in self-sustaining foreign operations are included in accumulated other comprehensive income.

The appropriate amounts of translation gains or losses in accumulated other comprehensive income are reflected in income when there is a reduction, as a result of capital transactions, in the Company's net investment in the operation that gave rise to such exchange gains or losses.

December 31, 2009 and 2008

2. Summary of Significant Accounting Policies (cont'd)

All other foreign operations are classified as integrated. Accordingly, monetary items are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at foreign exchange rates in effect at the time of the transaction. Foreign exchange gains and losses are included in net loss.

(r) Classification of financial instruments

Under Canadian GAAP, financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. Financial instruments that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Transaction costs on financial instruments classified as held-for-trading are expensed as incurred. Transaction costs related to held-to-maturity investments, loans and receivables and available-for-sale financial assets are included in the carrying amounts of the financial instruments and amortized over the life of the instrument by the effective interest rate method.

(s) Convertible debentures

Convertible debentures are accounted for in accordance with their substance and are presented in their component parts of debt and equity. The debt component has been measured as the present value of the cash payments of interest and principal due over the term of the debentures. The fair value of the warrant equity component was estimated using the Black-Scholes option valuation model. The difference between the face value of the debentures, the debt component value and the warrant component value is allocated to the equity component.

Financing costs are allocated proportionally to the debt component, the warrant component and the equity component. The debt component, net of its proportional financing costs, is accreted to its face value through an interest charge over its term to maturity using the effective interest method. Upon conversion of the debentures, the equity portion related to the principal amount of debt converted is recognized as a change to shareholders' equity.

December 31, 2009 and 2008

3. Changes in Accounting Policies

Goodwill and intangible assets

The CICA issued the new accounting standard Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for fiscal years beginning on or after October 1, 2008 and the Company adopted it on January 1, 2009. The new standard was adopted on a retroactive basis with restatement of the prior year comparatives, and as a result, for the year ended December 31, 2008, intangible assets decreased by \$108,717, general and administrative expense and net loss increased by \$10,835 and deficit, beginning of year increased by \$97,882. This retroactive change did not result in a change in net loss per share for 2008.

In addition to the above, the adoption of this standard also required the Company to retroactively reclassify its computer software assets on its consolidated balance sheet from capital assets (Note 5) to intangible assets (Note 7). The net book value of the computer software reclassified as at December 31, 2008 was \$51,721. In addition, the amortization of computer software has been reclassified from amortization of capital assets to amortization of intangible assets. The reclassification of amortization for the year ended December 31, 2008 was \$333,274. As at December 31, 2009, computer software of \$23,638 is included within intangible assets. For the year ended December 31, 2009, amortization expense of \$55,131 has been recorded relating to computer software.

Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the CICA issued Emerging Issues Committee Abstract of Issue Discussed 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC-173") applicable to the Company's 2009 fiscal year. EIC-173 recommends that a company take into account its own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities. Adoption of this new recommendation had no impact on the Company's financial results.

Financial Instruments

Effective January 1, 2009, the Company adopted the amendments to CICA Section 3862, *Financial Instruments – Disclosures*. Section 3862 requires that an entity classify the fair value measurements of its financial assets and liabilities using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy of inputs is summarized below.

Level 1 – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Fair value is based on inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 – Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level. This disclosure is provided in Note 18 to the consolidated financial statements.

Call Genie Inc.
Notes to Consolidated Financial Statements

December 31, 2009 and 2008

4. Business Combinations

PhoneSpots Inc.

On January 2, 2008, the Company acquired 100% of the issued and outstanding shares of PS, located in the United States, for cash consideration of \$970,014, including acquisition costs of \$260,116, and the issuance of 4,551,326 common shares of the Company at an aggregate issue price of \$4,851,713. The per share value of the common shares issued was based on the weighted average trading price of the Company's common shares for the immediately preceding two business days, the day of the transaction and the subsequent two business days. PS delivers advanced mobile data services and advertising solutions to the Yellow Pages industry and directory assistance (411) providers.

Under the terms of the purchase agreement 3,804,628 of the common shares issued were held in escrow for a period of four months from the closing date and then released rateably over the subsequent eight-month period. The remaining 686,698 common shares were held in escrow for up to one year to provide for any potential purchase price adjustment in accordance with the purchase agreement. The Company estimated that a purchase price adjustment of \$270,214 was required to offset the negative working capital that was in existence at the date of the acquisition. In October 2009, the Company finalized the return and cancelation of the 253,484 common shares from shares held in escrow.

The acquisition was accounted for using the purchase method of accounting and, accordingly, the results of operations are included in the consolidated financial statements from the date of acquisition. The consideration and allocation of the purchase price is as follows:

Cash	\$ 632,894
Accounts receivable and other current assets	201,011
Capital assets	177,563
Customer list	225,000
Technology	3,960,578
Goodwill	1,465,037
	<u>6,662,083</u>
Current liabilities	(1,110,570)
	<u>\$ 5,551,513</u>
Consideration given:	
Cash	\$ 709,898
Common shares issued	4,851,713
Working capital adjustment	(270,214)
Acquisition costs	260,116
Total consideration	<u>\$ 5,551,513</u>

The purchase price was allocated to the tangible and intangible assets acquired based on their estimated fair values at the date of acquisition. The excess of the purchase price over the estimated fair values of the assets acquired amounted to \$1,465,037, which was allocated to goodwill.

Call Genie Inc.
Notes to Consolidated Financial Statements

December 31, 2009 and 2008

4. Business Combinations (cont'd)

The amounts allocated to acquired intangible assets are related to the estimated fair value of the technology acquired and the customer list acquired. The estimated fair value of the acquired intangible assets is being amortized on a straight-line basis over seven years, which is the estimated period over which cash flows will be generated.

5. Capital Assets

	December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Computer hardware	\$ 1,428,312	\$ 1,082,836	\$ 345,476
Furniture and equipment	414,547	234,772	179,775
Leasehold improvements	111,173	33,618	77,555
	\$ 1,954,032	\$ 1,351,226	\$ 602,806

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Computer hardware	\$ 1,368,913	\$ 702,230	\$ 666,683
Furniture and equipment	418,256	158,255	260,001
Leasehold improvements	111,173	11,384	99,789
	\$ 1,898,342	\$ 871,869	\$ 1,026,473

6. Goodwill

Balance, January 1, 2008	\$ 757,900
Goodwill arising from acquisition of PS (Note 4)	1,465,037
Adjustment of BTS purchase price	39,025
Foreign currency translation adjustment	134,178
Balance, December 31, 2008	<u>2,396,140</u>
Foreign currency translation adjustment	(106,085)
Balance, December 31, 2009	<u>\$ 2,290,055</u>

As at October 1, 2009, the Company performed its annual impairment test of goodwill and determined that goodwill was not impaired.

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7. Intangible Assets

	December 31, 2009			December 31, 2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Acquired technology	\$ 5,217,766	\$ 1,453,753	\$ 3,764,013	\$ 4,509,407
Customer lists	358,000	101,190	256,810	307,953
Rights licenses	1,560,551	193,650	1,366,901	-
Software licenses	780,295	756,657	23,638	51,721
	\$ 7,916,612	\$ 2,505,250	\$ 5,411,362	\$ 4,869,081

As a result of the annual impairment test of goodwill performed as at October 1, 2009, the Company determined that intangible assets are not impaired. There have been no events or changes in circumstances to December 31, 2009 that indicate that the carrying amount of intangible assets may not be recoverable.

8. Other Liabilities

Other liabilities are comprised of lease inducements, deferred salary payable and rights license payable, as follows:

	December 31, 2009	December 31, 2008
Lease inducements	\$ 124,256	\$ 141,577
Less: current portion included in accounts payable and accrued liabilities	(20,961)	(18,325)
Long-term lease inducements	103,295	123,252
Deferred salary payable	418,890	-
Less: deferred future service benefit	(45,947)	-
Net deferred salary payable	372,943	-
Rights license payable	1,156,100	-
Less: current portion included in accounts payable and accrued liabilities	(578,050)	-
Less: net present value adjustment	(175,552)	-
Net long-term rights license payable	402,498	-
Other liabilities	\$ 878,736	\$ 123,252

December 31, 2009 and 2008

9. Convertible Debentures

- (a) Effective June 26, 2009, the Company completed a private placement of 2,465 units of non-redeemable, secured convertible debentures, in denominations of \$1,000, in the aggregate principal amount of \$2,465,000. The debentures bear interest at a rate of 10% per annum, payable semi-annually commencing October 31, 2009, and mature on May 30, 2012. Holders may convert principal and accrued but unpaid interest under their debentures into common shares of the Company at any time prior to their maturity at a conversion price of \$0.50 per share. Under the terms of the debentures, the Company segregates 10% of the principal amount as a reserve to be used to pay interest accruing for the first 12 months that the debenture remains outstanding. At December 31, 2009, the cash reserved to pay the remaining portion of the first 12 months' interest is recorded in the consolidated balance sheets as a restricted cash amount of \$122,237. The debentures are not redeemable by the Company prior to maturity.

In conjunction with the debenture issuance, the Company issued 591,600 common share purchase warrants to the debenture holders, being 240 warrants for each debenture unit. Each warrant is exercisable to acquire one common share at \$0.225 until June 26, 2011.

- (b) Effective November 6, 2009, the Company completed a private placement of 2,540 units of non-redeemable, secured convertible debentures, in denominations of \$1,000, in the aggregate principal amount of \$2,540,000. The debentures bear interest at a rate of 12% per annum, payable semi-annually commencing April 30, 2010, and mature on October 31, 2012. Holders may convert principal and accrued but unpaid interest under their debentures into common shares of the Company at any time prior to their maturity at a conversion price of \$0.50 per share. The debentures are not redeemable by the Company prior to maturity.

In conjunction with the debenture issuance, the Company issued 1,219,200 common share purchase warrants to the debenture holders, being 480 warrants for each debenture unit. Each warrant is exercisable to acquire one common share at \$0.225 until November 6, 2011.

- (c) Effective December 23, 2009, the Company completed a private placement of 1,460 units of non-redeemable, secured convertible debentures, in denominations of \$1,000, in the aggregate principal amount of \$1,460,000. The debentures bear interest at a rate of 12% per annum, payable semi-annually commencing April 30, 2010, and mature on October 31, 2012. Holders may convert principal and accrued but unpaid interest under their debentures into common shares of the Company at any time prior to their maturity at a conversion price of \$0.50 per share. The debentures are not redeemable by the Company prior to maturity.

In conjunction with the debenture issuance, the Company issued 700,800 common share purchase warrants to the debenture holders, being 480 warrants for each debenture unit. Each warrant is exercisable to acquire one common share at \$0.225 until December 23, 2011.

In addition, the Company issued 90 broker warrants to the agent involved in the placement. Each broker warrant entitles the holder to purchase \$1,000 principal amount of the December 23, 2009 convertible debenture issuance, exercisable until December 23, 2011.

In conjunction with the distribution of the debentures described above, the Company incurred financing costs of \$64,656, \$20,593 and \$144,655, respectively.

Call Genie Inc.
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9. Convertible Debentures (cont'd)

The debt component has been measured as the present value of the cash payments of interest and principal due over the term of the debentures discounted at a rate of 20%, which is the estimated cost of borrowing for a similar non-convertible financial instrument with comparable terms and risk at the date of issue.

All of the Company's convertible debentures grant a security interest in and to all of the Company's present and future personal property as collateral for the debt.

Convertible debentures consist of :

	June 26, 2009	November 6, 2009	December 23, 2009	Total
Debt component:				
Proceeds	\$ 2,465,000	\$ 2,540,000	\$ 1,460,000	\$6,465,000
Less amounts allocated to:				
Equity component - conversion rights	(486,367)	(390,521)	(218,386)	(1,095,274)
Warrant component	(40,908)	(144,990)	(79,734)	(265,632)
Amount recorded as debt component	1,937,725	2,004,489	1,161,880	5,104,094
Debt component of financing charges	(50,826)	(16,251)	(115,117)	(182,194)
Accretion of debt component	81,660	21,529	2,748	105,937
Balance in debt component of convertible debentures, end of year	\$1,968,559	\$2,009,767	\$1,049,511	\$5,027,837
Equity component:				
Conversion feature of proceeds	\$ 486,367	\$ 390,521	\$ 218,386	\$1,095,274
Less: equity component of financing charges	(12,757)	(3,167)	(21,638)	(37,562)
Balance in equity component of convertible debenture, end of year	\$ 473,610	\$ 387,354	\$ 196,748	\$1,057,712
Warrants:				
Warrants portion of proceeds	\$ 40,908	\$ 144,989	\$ 79,735	\$265,632
Broker warrants	-	-	19,979	19,979
Less: warrant component of financing charges	(1,073)	(1,175)	(7,900)	(10,148)
Balance in contributed surplus, end of year	\$ 39,835	\$ 143,814	\$ 91,814	\$275,463

Call Genie Inc.
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10. Equity Instruments

- (a) Authorized
 Unlimited common shares without par value
 Unlimited preferred shares without par value, non cumulative, redeemable and non-voting

- (b) Issued and outstanding common shares

	Number of Shares	Amount
Balance, January 1, 2008	77,714,474	\$ 46,609,605
Shares issued for PS acquisition (Note 4)	4,551,326	4,851,713
Working capital claw-back of PS acquisition (Note 4)	(253,484)	(270,214)
Shares repurchased (Note 10(e))	(132,200)	(82,395)
Balance, December 31, 2008	81,880,116	\$ 51,108,709
Shares issued under employee stock purchase plan (Note 10(f))	1,110,567	73,933
Balance, December 31, 2009	82,990,683	\$ 51,182,642

- (c) Issued and outstanding warrants

<u>Warrants</u>	Warrant Exercise Price Range	Weighted Average Remaining Life	Number
Balance, January 1, 2008	\$0.225 – 1.00	2.37 years	4,390,406
Less warrants expired	-	-	(480,000)
Balance, December 31, 2008	\$0.225	1.62 years	3,910,406
Warrants issued in connection with convertible debentures (Note 9)	\$0.225	1.80 years	2,511,600
Balance, December 31, 2009	\$0.225	1.08 years	6,422,006

<u>Broker warrants</u>	Warrant Exercise Price Range	Weighted Average Remaining Life	Number
Broker warrants issued in connection with convertible debentures (Note 9(c))	\$1,000	1.98 years	90
Balance, December 31, 2009	\$1,000	1.98 years	90

- (i) On August 17, 2004, the Company completed the reverse takeover of a public company, GRD. Upon the completion of this business combination, 4,360,035 previously issued warrants were repriced to \$0.225 each (pre-business combination price \$0.613). Each warrant holder is entitled to acquire one common share of the Company for each warrant. These warrants expire on August 16, 2010. As at December 31, 2009, 3,910,406 warrants remained unexercised.

December 31, 2009 and 2008

10. Equity Instruments (cont'd)

- (ii) On March 21, 2006, the Company issued 10,000,000 common shares, in aggregate, by way of a private placement, at a price of \$1.00 per share, for gross proceeds of \$10,000,000. As part of this private placement, the Company issued 600,000 broker warrants, exercisable at \$1.00 per share, to the underwriters of the private placement. During 2007, 450,000 of the warrants were exercised; the remaining 150,000 warrants expired on March 21, 2008.
- (iii) On April 17, 2007, the Company issued 10,000,000 common shares, in aggregate, by way of a private placement, at a price of \$1.00 per share, for gross proceeds of \$10,000,000. As part of this private placement, the Company issued 600,000 broker warrants, exercisable at \$1.00 per share, to the underwriters of the private placement. During 2007, 270,000 of the warrants were exercised; the remaining 330,000 warrants expired on April 17, 2008.
- (iv) Effective June 26, 2009, the Company issued \$2,465,000 of convertible debentures (Note 9(a)). As part of this debt issuance, the Company issued 591,600 warrants to purchase common shares at a price of \$0.225 per share, exercisable until June 26, 2011.

The fair value of the warrants of \$40,908 was recorded as warrants issued in relation to convertible debentures, within contributed surplus. The grant date fair value of the warrants of \$0.07 was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.0%, an expected volatility of 128% and an expected life of 2.0 years.

- (v) Effective November 6, 2009, the Company issued \$2,540,000 of convertible debentures (Note 9(b)). As part of this debt issuance, the Company issued 1,219,200 warrants to purchase common shares at a price of \$0.225 per share, exercisable until November 6, 2011.

The fair value of the warrants of \$144,990 was recorded as warrants issued in relation to convertible debentures, within contributed surplus. The grant date fair value of the warrants of \$0.12 was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.3%, an expected volatility of 127% and an expected life of 2.0 years.

- (vi) Effective December 23, 2009, the Company issued \$1,460,000 of convertible debentures (Note 9(c)). As part of this debt issuance, the Company issued 700,800 warrants to purchase common shares at a price of \$0.225 per share, exercisable until December 23, 2011.

The fair value of the warrants of \$79,735 was recorded as warrants issued in relation to convertible debentures, within contributed surplus. The grant date fair value of the warrants of \$0.11 was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.1%, an expected volatility of 126% and an expected life of 2.0 years.

As part of this private placement, the Company paid the agent cash compensation of \$81,000, and issued 90 broker warrants. Each broker warrant entitles the holder to purchase \$1,000 principal amount of the December 23, 2009 convertible debenture issuance, exercisable until December 23, 2011.

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10. Equity Instruments (cont'd)

The fair value of the broker warrants of \$19,979 was recorded as issuance costs in relation to convertible debentures, within contributed surplus. The grant date fair value of the broker warrants was estimated as two components, one being the value of the debenture conversion feature into 180,000 shares of the Company and the other being the value of the 43,200 warrants issued with the debentures. The grant date fair value of the conversion feature of \$0.08 was estimated using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.1%, an expected volatility of 134%, an effective exercise price of \$0.50 per share and an expected life of 1.7 years. The grant date fair value of the warrants of \$0.11 is the same as calculated above.

(d) Options

Under the Company's current Stock Option Plan (the "Plan"), the Company's directors may approve the issuance of stock options to directors, officers and employees and agents of the Company and its affiliates. The aggregate number of shares reserved for issuance under the Plan is up to 15% of the number of outstanding common shares. Since the inception of the Plan, the Company has granted 24,651,000 stock options to its employees, officers and directors. As at December 31, 2009, 11,260,000 stock options remain outstanding at prices ranging from \$0.07 to \$0.83 per share. Options for the Company's directors vest immediately, while options for employees vest ratably over a period of three years, except for the 9,962,500 options granted on February 25, 2009, which vest ratably over a period of two years. All options have a life of five years and have expiry dates ranging from September 1, 2010 to December 1, 2014.

The Company measures compensation costs associated with stock-based compensation using the fair value method and the cost is recognized over the vesting period of the underlying security. The fair value of each option is determined at the grant date using the Black-Scholes option valuation model with the following assumptions:

	2009	2008
Risk-free rate	1.4%	3.27%
Dividend yield	0.0%	0.0%
Volatility rate	97.5%	91.2%
Expected option life	3.00 years	3.35 years
Weighted average option fair value	\$0.06 per share	\$0.30 per share

For the year ended December 31, 2009, \$347,422 (2008 - \$2,602,792) has been recorded as stock-based compensation related to options with the corresponding amount charged to contributed surplus. The amount expensed in 2008 includes \$1,284,509 related to a voluntary option surrender program completed by the Company on November 21, 2008, which resulted in the cancellation of 8,707,666 options.

- (i) The following table summarizes information about the stock options outstanding at December 31, 2009:

Range of Exercise Prices per Share	Number of Options Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number of Options Vested/ Exercisable	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price
\$0.00 to \$0.49	10,397,500	4.18	\$0.09	58,330	3.68	\$0.24
\$0.50 to \$0.99	862,500	1.05	\$0.52	806,670	0.89	\$0.52
\$0.00 to \$0.99	11,260,000	4.13	\$0.12	865,000	1.08	\$0.50

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December 31, 2009 and 2008

10. Equity Instruments (cont'd)

- (ii) The following table sets out information concerning stock options issued to employees, consultants, directors and officers that were outstanding at December 31, 2009 and 2008:

	Number of Options	Option Exercise Price Range	Weighted Average Remaining Life	Weighted Average Exercise Price
Balance, January 1, 2008	6,957,499	\$0.30 - \$2.40	3.78 years	\$0.97
Options granted	5,611,000	\$0.20 - \$1.13	4.33 years	\$0.49
Options exercised	(8,707,666)	\$0.24 - \$2.40	3.89 years	\$0.77
Options forfeited	(2,395,000)	\$0.20 - \$2.40	3.90 years	\$0.91
Balance, December 31, 2008	1,465,833	\$0.20 - \$0.94	3.68 years	\$0.45
Options granted	10,862,500	\$0.07 - \$0.18	4.18 years	\$0.09
Options forfeited	(1,068,333)	\$0.08 - \$0.94	4.45 years	\$0.20
Balance, December 31, 2009	11,260,000	\$0.07 - \$0.83	4.13 years	\$0.12

(e) Share repurchase

On April 21, 2008, the Company announced it had received approval from the Toronto Stock Exchange to make a normal course issuer bid ("NCIB") to repurchase for cancellation up to 5,000,000 common shares, representing approximately 8% of the outstanding shares as at April 3, 2008. The NCIB expired April 23, 2009.

During 2008, the Company repurchased 132,200 common shares for a purchase cost of \$65,116, at a weighted average cost of \$0.49 per share. The excess of the assigned share value over the purchase cost has been charged to contributed surplus.

(f) Employee stock purchase plan

The Company has an employee stock purchase plan for all eligible employees. Under the plan, shares of the Company's common stock may be purchased at three-month intervals at 85% of the weighted average trading price of each of the three-month periods. Employees may contribute from 3% to 20% of their gross base salary. During 2009 employees purchased 1,110,567 shares (2008 - nil) at an average price of \$0.07 per share. At December 31, 2009, 7,102,792 shares were reserved for future issuance.

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11. Contributed Surplus

Balance, January 1, 2008	\$ 2,643,207
Fair value assigned for options (Note 10(d))	2,602,792
Fair value assigned for shares repurchased (Note 10(e))	<u>17,278</u>
Balance, December 31, 2008	\$ 5,263,277
Fair value assigned for options (Note 10(d))	347,422
Fair value assigned for warrants (Note 9)	265,632
Broker warrants issued in relation to convertible debentures (Note 9)	19,979
Less: warrant component of convertible debenture financing charges (Note 9)	<u>(10,148)</u>
Balance, December 31, 2009	<u>\$ 5,886,162</u>

12. Accumulated Other Comprehensive Income

	December 31, 2009	December 31, 2008
Unrealized foreign currency translation adjustments	\$ 78,302	\$ 76,388
Accumulated other comprehensive income	<u>\$ 78,302</u>	<u>\$ 76,388</u>

13. Related Party Transactions

The Company had the following related party transactions:

- (a) Included in technology and product development, sales and marketing, and general and administrative expenses are \$337,719 (2008 - \$423,281) of consulting services paid to companies controlled or influenced by directors and management contractors of the Company.
- (b) Included in accounts payable and accrued liabilities is \$91,594 (2008 - \$43,860) due to various directors, companies controlled or influenced by directors and management contractors of the Company, all of which is for services rendered and reimbursement of expenses.
- (c) Included in accounts receivable is \$50,000 due from senior management for the purchase of convertible debentures issued December 23, 2009. This amount was received in full on January 3, 2010.
- (d) During 2009, senior management, management contractors and directors of the Company purchased \$380,000 aggregate principal amount of convertible debentures and received 103,200 warrants as part of the debt financings described in Note 9.
- (e) During 2009, the Company made interest payments on convertible debentures of \$11,573 (2008 nil) to directors, senior management and management contractors of the Company.

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13. Related Party Transactions (cont'd)

All the related party transactions are in the normal course of operations and have been measured at the exchange amounts.

14. Information Included in the Consolidated Statements of Operations

	December 31, 2009	December 31, 2008
Amortization of rights license intangible assets	\$ 193,650	\$ -
Amortization of capital assets	486,739	496,168
Amortization of other intangible assets	851,669	1,076,750
	<u>\$ 1,532,058</u>	<u>\$ 1,572,918</u>

15. Income Taxes

The effective tax rate of income tax varies from the statutory rate as follows:

	2009	2008
Combined tax rates	<u>29.0%</u>	<u>29.5%</u>
Expected income tax recovery at statutory rate	\$ (3,502,809)	\$ (6,036,961)
Stock-based compensation	100,752	767,824
Share issuance costs	(117,041)	(125,080)
Change in rate	962,943	1,328,972
Other permanent differences	38,344	7,928
Prior year tax losses expired	330,660	-
Increase in tax reserves	280,000	
Change in valuation allowance	2,187,151	4,057,317
Actual income tax provision	<u>\$ 280,000</u>	<u>\$ -</u>

The difference between the effective rate and the actual rate of nil is attributable to the fact that no future income tax assets have been recorded for available loss carryforwards and other deductible temporary differences as their ultimate utilization is not more likely than not.

Future income taxes reflect the net effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for income tax purposes. Future income tax assets are calculated and, as their realization is not considered likely, a valuation allowance is provided.

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15. Income Taxes (cont'd)

Significant components of the future income tax assets and liabilities include the following:

Future income tax assets:	December 31, 2009	December 31, 2008
Capital and other assets	\$ 774,553	\$ 438,422
Share issuance costs	219,394	322,685
Unused tax loss carryforwards	12,207,509	10,253,198
	13,201,456	11,014,305
Valuation allowance	(13,201,456)	(11,014,305)
Future income tax assets	\$ -	\$ -
 Reserve for future income tax assessments included in accrued liabilities	 \$ 595,253	 \$ 391,147

As at December 31, 2009, subject to confirmation from the respective income tax authorities, the Company has a total of \$45,531,677 of non-capital losses that are available for carryforward to offset future taxable income expiring as follows:

	Non-Capital Losses
2014	\$ 1,017,542
2015	1,279,000
2026	5,417,367
2027	11,190,197
2028	17,045,322
2029	11,142,800
	<u>\$ 47,092,228</u>

For Canadian tax purposes, the Company has non-capital losses of \$46,047,666 and for U.S. tax purposes, the Company has net operating losses of \$1,044,562 that have a 15-year carry-forward period.

16. Commitments and Contingencies

(a) Leases

The Company has obligations under long-term operating leases, license agreements and agreements for premises and office equipment for various periods up to 2013. Future minimum annual lease payments over the next four years are as follows:

	Facilities	Equipment	Total
2010	\$ 761,703	\$ 28,785	\$ 790,488
2011	\$ 708,311	\$ 22,381	\$ 730,692
2012	\$ 612,540	\$ 1,452	\$ 613,992
2013	\$ 176,975	\$ -	\$ 176,975

December 31, 2009 and 2008

16. Commitments and Contingencies (cont'd)

(b) General

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims from customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. The required provision may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

Management believes that adequate provisions have been recorded in the accounts, where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurances, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position or results of operations of the Company.

17. Indemnifications

(a) Directors and officers

Under the terms of the Company's by-laws, the Company is required to indemnify individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification arrangements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements.

(b) Other

In the ordinary course of business, the Company enters into contracts which contain indemnification provisions, such as loan agreements, purchase contracts, service agreements, licensing agreements, asset purchase and sale agreements, operating agreements, leasing agreements and asset use agreements. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. These indemnification provisions vary on an agreement-by-agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions, and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

Management believes that adequate provisions have been recorded in the accounts, where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurances, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position or results of operations of the Company.

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18. Financial Instruments and Risk Management

Classification of financial instruments

Upon initial recognition, all financial instruments are recorded on the consolidated balance sheets at their fair values. After initial recognition, the financial instruments are measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost using the effective interest rate method. Changes in the fair value of held-for-trading financial instruments are recognized in net income or loss. The Company does not hold any held-to-maturity investments or available-for-sale financial assets.

The Company holds various forms of financial instruments as follows:

Financial Instrument	Designation	Measurement	December 31, 2009	December 31, 2008
Cash and restricted cash	Held-for-trading	Fair value	\$ 3,466,400	\$ 1,463,934
Short-term investments	Held-for-trading	Fair value	102,921	3,511,506
Accounts receivable	Loans and receivables	Amortized cost	1,732,109	552,339
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	2,589,328	1,832,996
Other liabilities	Other financial liabilities	Amortized cost	878,736	123,252
Convertible debentures	Other financial liabilities	Amortized cost	5,027,837	-

Held-for-trading

The Company has classified its cash and cash equivalents and restricted cash as held-for-trading. These instruments are accounted for at fair value with the change in fair value recognized in net income or loss during the year. As at December 31, 2009, the Company held \$102,921 (2008 - \$3,511,506) of cashable guaranteed investment certificates bearing a weighted average interest rate of 0.3% (2008 - 1.8%) with a maturity date of no more than three months.

Loans and receivables

Accounts receivable are classified as loans and receivables, which are measured at amortized cost.

Other financial liabilities

Accounts payable, accrued liabilities, other liabilities and convertible debentures are classified as other financial liabilities, and are measured at amortized cost.

For the years ended December 31, 2009 and 2008, the Company has not used derivative instruments. The Company has no derivatives embedded in its financial or non-financial contracts.

December 31, 2009 and 2008

18. Financial Instruments and Risk Management (cont'd)

Financial risk management

The nature of these financial instruments and the Company's operations expose the Company 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.

Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable.

At December 31, 2009, primarily all of the Company's cash was held at one financial institution.

The Company, in the normal course of business, is exposed to credit risk from its customers. The accounts receivable are subject to normal credit risks. Any amounts not provided for are considered fully collectible. For the year ended December 31, 2009, the Company earned 12% (2008 - 37%) of its revenues from one directory service provider and at December 31, 2009, the Company had \$911,038 (2008 - \$135,715) receivable from this customer. This customer is disputing scheduled payments for maintenance and support services and repayment of technology development costs previously incurred by the Company. The Company is actively pursuing resolution of the matter through arbitration proceedings. The Company expects full payments of the amounts and no provision has been provided however, as the amount is in dispute there is uncertainty to the final outcome.

The following table provides the details of the aged receivables and the related allowance for doubtful accounts:

	Amount
Current	\$ 278,642
31 to 60 days	405,678
61 to 90 days	22,314
Over 90 days	1,039,650
Less: allowance for doubtful accounts	(14,175)
Total accounts receivable, net	\$ 1,732,109

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages liquidity risk through cash flow forecasting including anticipated investing and financing activities. Further discussion with regard to the Company's liquidity management is contained in Note 1 to the consolidated financial statements.

Call Genie Inc.
Notes to Consolidated Financial Statements

December 31, 2009 and 2008

18. Financial Instruments and Risk Management (cont'd)

The contractual maturities of the Company's financial liabilities as at December 31, 2009 are as follows:

	2010	2011	2012
Convertible debentures including interest	\$ 697,365	\$ 726,500	\$ 7,088,812

Foreign currency risk

The Company operates internationally and is exposed to risk from changes in foreign currency rates. 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 exposure arises from U.S. dollar revenue and costs. For the year ended December 31, 2009, approximately 28% of revenue and 21% of costs were transacted in U.S. dollars. As a result, the Company may experience transaction exposure because of volatility in the exchange rate between the Canadian and U.S. dollar. Based on the Company's current U.S. denominated net outflows, as at December 31, 2009, an increase in the value of the U.S. dollar versus the Canadian dollar of 10% would, everything else being equal, have an effect of increasing revenue by 2.8%, increasing costs by 2.1% and increasing the loss from operations by 1.9%. A decrease in the value of the U.S. dollar would effect a corresponding decrease by these percentages.

The Company is also exposed to foreign exchange risk from transactions in British pounds, Euros and Danish kroner. Fluctuations of 10% in the exchange rates for these currencies, when compared to the Canadian dollar, are not expected to individually have a material impact on the Company's results of operations.

Interest rate risk

The Company is exposed to interest rate risk through its financial assets. The Company manages interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity reserves necessary to meet day-to-day operating cash flow requirements.

The Company believes that interest rate risk is not significant, as interest rates on short-term investments range from 0.1% to 0.3%. A 50 basis points change in interest rates would have no significant impact per quarter based on December 31, 2009 financial asset balances.

For the years ended December 31, 2009 and 2008, the Company has no variable interest bearing financial obligations.

December 31, 2009 and 2008

18. Financial Instruments and Risk Management (cont'd)

Fair values of financial instruments

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

The amount of the convertible debentures as determined and recorded at their respective 2009 issue dates is representative of their fair value as at December 31, 2009, due to the close proximity in time.

Cash, restricted cash and short-term investments carried on the consolidated balance sheets at fair value are classified as Level 1 - quoted prices, in the fair value hierarchy described in Note 3. There are no financial instruments valued according to Level 2 - observable market inputs or Level 3 - valuation techniques using unobservable market inputs.

19. Capital Management

The Company's objective when managing capital is to ensure that the Company has adequate financial resources to maintain liquidity necessary to fund its operations and provide returns for shareholders and benefits to other stakeholders. The capital structure of the Company consists of common equity issues and convertible debentures.

The Company manages its capital structure and makes adjustments to it based on the level of funds available to the Company to manage its operations. Upon approval of the Board of Directors, the Company balances its overall capital through new share issuances or by undertaking other activities as deemed appropriate in the circumstances. The Company is not subject to externally imposed capital requirements.

There have been no changes in the Company's approach to capital management during the year.

20. Segmented Information

Operating segments

The Company operates in the sale and service of software and hosting solutions and all sales are made in this segment. Management assesses performance and makes decisions about allocating resources based on the one operating segment.

Call Genie Inc.
Notes to Consolidated Financial Statements

December 31, 2009 and 2008

20. Segmented Information (cont'd)

Product category information

The Company earned revenue attributed to the following product categories based on the main product or service sold to the customer.

	2009	2008
Voice	\$ 892,686	\$ 1,976,721
SMS Data	1,195,090	804,222
Workstations	1,398,857	1,486,410
Total	\$ 3,486,633	\$ 4,267,353

Geographic information

The Company earned revenue attributed to the following countries based on the location of the customer:

	2009	2008
Canada	\$ 627,280	\$ 1,644,637
United States	577,818	982,527
Europe	1,827,770	1,410,780
Rest of the world	453,765	229,409
Total	\$ 3,486,633	\$ 4,267,353

The Company has total capital assets attributed to the following countries based on location:

	December 31, 2009	December 31, 2008
Canada	\$ 529,737	\$ 931,584
United States	67,602	81,171
Europe	5,467	13,718
Total	\$ 602,806	\$ 1,026,473

The Company has total goodwill attributed to the following countries based on location:

	December 31, 2009	December 31, 2008
United States	\$ 1,465,037	\$ 1,465,037
Europe	825,018	931,103
Total	\$ 2,290,055	\$ 2,396,140

December 31, 2009 and 2008

21. Future Changes in Accounting Policies

The following is an overview of accounting standard changes that the Company will be required to adopt in future years:

International Financial Reporting Standards

The CICA Accounting Standards Board ("AcSB") plans to converge Canadian GAAP principles for publicly accountable enterprises with International Financial Reporting Standards ("IFRS") over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company has not yet determined the impact of the transition to and adoption of IFRS on its consolidated financial statements.

Business combinations, consolidated financial statements and non-controlling interests

In October 2008, the CICA issued Section 1582, *Business Combinations* concurrently with Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*. Section 1582, which replaces Section 1581, *Business Combinations*, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaces Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Company is assessing the impact of the new standards on its consolidated financial statements.

Multiple deliverable revenue arrangements

In December 2009, the CICA issued EIC-175, *Multiple Deliverable Revenue Arrangements* which replaced EIC-142, *Revenue Arrangements with Multiple Deliverables* and may be applied prospectively and will apply to the Company effective January 1, 2011. The abstract includes updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated. The Company is reviewing the guidance to assess the potential impact on its consolidated financial statements.

22. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's consolidated financial statement presentation.

29. APPENDIX D: 2011 YEAR END MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") for VoodooVox Inc. (formerly Call Genie Inc.) ("**VV**", "**VoodooVox**" or the "**Company**") should be read in conjunction with VV's consolidated financial statements, and the accompanying notes, as at and for the year ended December 31, 2011, which have been filed with certain securities regulatory authorities in Canada and may be accessed through the SEDAR website at www.sedar.com (under VoodooVox'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, Call Genie (Ontario) Inc., VoodooVox USA Holdings, Inc. (formerly Call Genie (USA), Inc.), BTS Logic Europe ApS, Call Genie Europe B.V., and VoodooVox Limited (formerly PhoneSpots Limited). VV's annual 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 March 29, 2012 and the information in this MD&A is current to March 29, 2012, unless otherwise noted. 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 Company's 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, including the Company's Annual Information Form, are available through the Company's website at www.voodoovox.com or through the SEDAR website at www.sedar.com (under VoodooVox'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. The forward-looking information set out in this MD&A (principally under the headings "Executive Summary" and "Outlook") includes statements concerning certain financial results that may be generated by the Company as it moves into a new phase with the consolidation and commercialization of various technologies. Readers are cautioned that such information may not be appropriate for other purposes.

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 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" herein. **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.**

Forward-looking information respecting the anticipated benefits of the acquisition of the UpSNAP and VoodooVox assets are based upon various assumptions and factors, including that the products and technologies to be offered by the Company utilizing those assets will be considered attractive by various third parties and will result in contractual arrangements between the Company and those third parties for the use of such products and technologies, and historical revenues generated by UpSNAP and VoodooVox utilizing its technologies and assets.

Forward-looking information respecting the anticipated increases in efficiency with the introduction of the Smarter Mobile Advertising platform are based upon various assumptions and factors, including the progress made to date in the merger and deployment of VoodooVox and UpSNAP technologies, estimations of efficiencies and improvements to the Company's Software as a Service platform as a result of the merger of technologies and availability of resources to complete the merger and deployment activities.

VoodooVox 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. VoodooVox's forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statement.

EXECUTIVE SUMMARY

VoodooVox is engaged in the business of providing mobile advertising solutions to advertisers and publishers. Its technology, tools and services help publishers to generate their advertising revenues, acquire users and gain insight into their users. The Corporation offers advertisers significant audience reach, sophisticated targeting capabilities and the ability to deliver rich and engaging ad experiences to consumers on their mobile connected devices.

The Company's loss for the year ended December 31, 2011 was \$13.2 million (or \$0.14 per share) which compares to the loss of \$8.6 million (or \$0.10 per share) reported for the preceding year. The loss for the year ended December 31, 2011 includes an \$8.6 million non-cash charge attributed to the debenture conversion incentive program initiated in 2011. In accordance with International Financial Report Standards ("IFRS"), the number of incremental common shares that could be distributed to debenture holders, regardless of whether the debenture holder converts their debentures, as part of the incentive program was multiplied by the closing share price on the date the shareholders of the Company approved the incentive plan.

The Company's operating loss improved by \$5.2 million from \$7.0 million in 2010 to \$1.8 in 2011 which represents a 74% year over year improvement. Revenues for the year ended December 31, 2011 totaled \$6.2 million compared to \$4.2 million for the preceding year. The overall increase in revenues was primarily attributable to transaction fees earned following the implementation of a new call volume source by a large yellow pages provider in the United States. Usage based revenues represented 44% of revenues for the year ended December 31, 2011 compared to 8% for the preceding year. For the year ended December 31, 2011 (as compared to 2010), labour costs decreased \$1.6 million as the average number of employees was 34 compared to 43.

As at December 31, 2011, the Company had a cash balance of \$0.4 million and accounts receivable of \$0.7 million. Cash flow used in operations was \$3.0 million for the year ended December 31, 2011, which was \$3.0 million less than the \$6.0 million of cash flow used in operations in 2010. Deferred revenue at December 31, 2011 was \$0.4 million, a decrease of \$3.0 million from 2010.

In December 2011, to promote the conversion of the principal amount of debentures issued by the Company and accrued but unpaid interest thereon, the Company implemented an incentive program providing for a reduction in conversion price applicable to those debentures not previously convertible at \$0.10 per share. Such conversion incentive program additionally provided for the issuance of warrants to holders of debentures previously convertible at \$0.10 who agreed to convert such debentures and granted 5,000 warrants per \$1,000 principal amount converted. Each such warrant was convertible into one common share at a price of \$0.12 per share any time prior to December 31, 2013. In December 2011, debenture holders converted \$4.4 million of debentures and accrued but unpaid interest for 44,427,681 common shares of the Company. Subsequent to the year end, debenture holders converted \$2.3 million of debentures and accrued but unpaid interest for 24,115,280 common shares of the Company.

On March 15, 2012, the Company issued non-convertible debentures for gross aggregate proceeds of \$1.0 million. The debentures bear interest at a rate of 15% per annum, payable semi-annually, and the debentures will mature one year from the closing date. Notwithstanding this financing, the Company's ability to operate remains dependent upon its ability to obtain additional debt or equity financing, as well as other factors described herein.

During the second half of 2011, the Company introduced its Cloud-based Software as a Service ("SaaS") platform. Under this initiative, the Company integrated many of its existing customer relationships with its own hosted platform in an effort to provide a comprehensive advertising network to various sources of call-based and web-based consumer traffic. On October 25, 2011, the Company completed the acquisition of the assets of UpSNAP Services LLC ("UpSNAP"). Subsequent to the year end, on January 6, 2012, the Company completed the acquisition of the assets of VoodooVox, Inc., a Delaware company ("Old VoodooVox") and changed its name from "Call Genie Inc." to "VoodooVox Inc." These acquisitions were undertaken in an effort to allow the Company to expand its product offering to existing and prospective customers, increase revenues, and move further into the advertising network space through additional forms of publications, advertisers, mobile advertising services and arrangements with industry participants.

The amount of revenue generated from the SaaS platform, branded as the Smarter Mobile Advertising platform, will depend, to a significant degree, on the Company's ability to source relevant traffic and ads that prompt consumers to act in a manner that generates a measurable sales lead to a merchant. Due to the nature of performance based revenues, variability of potential results, and the uncertainty of consumer adoption, the Company is not providing any financial guidance for future periods at this time.

The following table sets out selected financial and share information of the Company as at December 31 for the years indicated:

KEY FINANCIAL METRICS in 000's (except share amounts)	2011	2010	2009*
Cash and cash equivalents	\$ 382	\$ 380	\$ 3,447
Deferred revenue	\$ 317	\$ 3,374	\$ 4,698
Revenue	\$ 6,203	\$ 4,206	\$ 3,487
Operating loss	\$ (1,765)	\$ (6,957)	\$ (11,701)
Net loss	\$ (13,158)	\$ (8,564)	\$ (12,359)
Loss per share – basic and fully diluted	\$ (0.14)	\$ (0.10)	\$ (0.15)
Common Shares outstanding			
- Basic	151,836,882	88,232,247	82,990,683
- Fully diluted	217,387,405	140,261,310	113,825,889

* Amounts prior to January 1, 2010 are reported using Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

BUSINESS STRATEGY

Our Goal and Strategy

VoodooVox is engaged in the business of providing mobile advertising solutions to advertisers and publishers. Its technology, tools and services help publishers to generate their advertising revenues, acquire users and gain insight into their users. The Corporation offers advertisers significant audience reach, sophisticated targeting capabilities and the ability to deliver rich and engaging ad experiences to consumers on their mobile connected devices.

VoodooVox's business strategy is based on developing and expanding its own network of publishers and advertisers as well as third party organizations that have direct consumer and advertising relationships. Those third party entities can be wireless carriers, directory assistance providers or other companies that have significant wireless or wireline customer bases. The third party organizations that have advertising relationships can be search engine companies, yellow page publishers or media companies that have developed significant advertising publications in traditional or online media. In addition, the VoodooVox network is supplemented by direct arrangements with both advertisers and publishers. The Corporation has access to both national and local advertisers and is focused on delivering the most relevant advertisement to a consumer. The Corporation is focused on leveraging its proprietary technology and caller analytics to provide the most targeted advertisements to mobile consumers.

Strategic Priorities and Progress

The following table sets out information concerning various strategic priorities established for the Company and the progress made by the Company to date in achieving those priorities.

Strategic Priority	Current Status
Growth from acquisitions	<ul style="list-style-type: none"> Identified several target companies with complementary products, solutions, and customer base. Completed purchase of assets of UpSNAP in the fourth quarter of 2011. Completed purchase of assets of Old VoodooVox in the first quarter of 2012.
Deliver solutions	<ul style="list-style-type: none"> Solutions deployed in 11 countries; principally in Canada, the United States and Europe. The sales and account management function is focused on defining solutions rather than selling technology.
Increase revenue through mobile advertising network	<ul style="list-style-type: none"> Acquired mobile advertising assets of UpSNAP and Old VoodooVox. Established new relationships with publishers and advertisers.
Leverage analytics capabilities by applying to Mobile Advertising platform	<ul style="list-style-type: none"> Integrated operations of UpSNAP and Old VoodooVox including cross training of all sales and business development staff. Begun applying data analytics to existing ad network opportunities.
Secure additional financing	<ul style="list-style-type: none"> Completed a \$5.0 million financing in the first quarter of 2011, a \$1.2 million financing in the fourth quarter of 2011 and a \$1.0 million financing in the first quarter of 2012. Continuing to explore and pursue other potential financing alternatives.

KEY PERFORMANCE DRIVERS

There are three key drivers that management has focused on to gauge performance and the Company's ability to execute its business plan. Those drivers are summarized below:

1) Revenues from Mobile Advertising Opportunities:

The Company has expanded its mobile advertising products with the acquisition of the assets of UpSNAP and Old VoodooVox. These acquisitions include access to new sources of advertising placement opportunities as well as new advertisers.

2) Revenues from Data Analytics:

A key part of the assets acquired from Old VoodooVox, is the Company's data analytics technology. The technology provides real-time demographic information on phone calls and mobile ad traffic. Working with its own proprietary information and data provided by third party aggregators, the data analytics capabilities enable companies to gain valuable insight into their call volume and mobile game/application activity.

3) Revenues from Traditional Search and Voice Based Solutions:

The Company has identified several business development opportunities for the sale of its traditional voice based solutions and workstation software. The Company has entered into agreements that are implementation fee and transaction oriented or based on fixed up-front license fees with ongoing maintenance.

CAPABILITY TO DELIVER

Leadership

Execution of the Company's business plan is, to a significant degree, dependent on the capabilities of the people within the organization. Executive leadership is a key component of the planning, organizing and delivery necessary to achieve success. The Company has an executive management team with over 72 combined years of industry specific experience in the technology field. The executive team is led by Michael Durance, the Company's Chief Executive Officer. Mr. Durance has over 30 years of experience and has been with VV since June 1, 2005.

The Company has assembled an experienced executive team that includes Chet Chan, Chief Operating Officer (formerly, General Manager North America (hired in June 2007 with 21 years of experience)), and Chris Shelton, Chief Financial Officer (hired in March 2006 with over 21 years of experience). Further information about the executive team and the Company's board of directors (the "Board") is available on the Company's website at www.voodoovox.com.

Financing

At December 31, 2011, the Company had a cash balance of \$0.4 million. On March 15, 2012, the Company issued non-convertible debentures for gross aggregate proceeds of \$1.0 million. The debentures bear interest at a rate of 15% per annum, payable semi-annually, and the debentures will mature on March 15, 2013. Notwithstanding this financing, the Company's ability to continue operations remain dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer relationships; or 3) secure new customer relationships that provide the Company with adequate funds to cover expenditures projected for 2012 (or a combination of the foregoing). If the Company does not generate sufficient funds from existing or new customer relationships and it 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.

Productive Capacity

The Company's business model is premised on its ability to generate recurring revenues without a proportional increase in expenses for staff salaries and benefits. To that end, the Company builds its application software using a product model rather than building individual customized solutions. The Company introduced its SaaS platform in 2011 in an effort to increase efficiency through the potential reduction in the number of versions of its software that is required to be supported and maintained. Management of VV believes that the Company has adequate human resources to deliver all projects currently scheduled.

RESULTS OF OPERATIONS

Overall

The Company's loss for the year ended December 31, 2011 was \$13.2 million (or \$0.14 per share) which compares to the loss of \$8.6 million (or \$0.10 per share) reported for the preceding year. The loss for the year ended December 31, 2011 includes an \$8.6 million non-cash charge attributed to the debenture conversion incentive program initiated in 2011. In accordance with IFRS, the number of incremental common shares that could be distributed to debenture holders, regardless of whether the debenture holder converts their debentures, as part of the incentive program was multiplied by the closing share price on the date the shareholders of the Company approved the incentive plan.

The Company's operating loss improved by \$5.2 million from \$7.0 million in 2010 to \$1.8 in 2011 which represents a 74% year over year improvement. Revenues for the year ended December 31, 2011 totaled \$6.2 million compared to \$4.2 million for the preceding year. The overall increase in revenues was primarily attributable to transaction fees earned following the implementation of a new call volume source by a large yellow pages provider in the United States. Usage based revenues represented 44% of revenues for the year ended December 31, 2011 compared to 8% for the preceding year. For the year ended December 31, 2011 (as compared to 2010), labour costs decreased \$1.6 million as the average number of employees was 34 compared to 43.

Revenues

Revenues for the year ended December 31, 2011 increased to \$6.2 million from \$4.2 million in the preceding year, which is a 48% year-over-year increase. Revenues increased \$2.4 million in North America. In Europe and the rest of the world revenues decreased \$0.4 million. The following table sets out additional information concerning revenue by product line for the years indicated.

In 000's	2011	2010	Variance	% change
Voice	3,491	1,291	2,200	170%
SMS Data	1,234	382	852	223%
Workstation	1,478	2,533	(1,055)	(42%)
Total	6,203	4,206	1,997	47%

The overall increase in revenues is primarily attributable to transaction fees earned through a customer relationship with a large yellow pages provider in the United States. Usage based revenues represented 44% of revenues for year ended December 31, 2011 compared to 8% for the same period in 2010. Early in the third quarter of 2011, the Company initiated a transition to a new service and business model under which the Company generates usage revenues through its cloud-based SaaS platform. There can be no assurance that the terms of any new arrangements under the SaaS platform will be as favorable as the terms of prior arrangements or will result in similar levels of revenues for the Company.

Deferred revenue at December 31, 2011 was \$0.4 million compared to \$3.4 million at December 31, 2010. 100% of the deferred revenue reported at December 31, 2011 has been recorded as a current liability in accordance with IFRS.

Operating Costs

Expenses for year ended December 31, 2011 decreased to \$8.0 million from \$11.1 million for the preceding year. The decrease of \$3.1 million was primarily due to lower staff levels in all operational areas of the business and a \$1.1 million impairment charge recorded in respect of an intangible asset in 2010 (nonrecurring in 2011). The decrease in staff was principally attributable to increased efficiency and cash conservation programs implemented by the Company.

Network and Data Costs

Network and Data Costs consist of non-labour costs directly incurred by the Company to provide hosted services. This includes network, data and operating charges required to support revenue generating services. Network and Data Costs for the year ended December 31, 2011 totaled \$0.3 million compared to \$0.6 million for 2010. The 50% decrease was primarily attributable to the decrease in direct costs previously incurred to support the Company's Deal or No Deal sweepstakes program which was not active in 2011.

Labour Costs

Labour Costs consist of employee salaries, employee benefits, amounts paid to consultants and stock option compensation expense. For the year ended December 31, 2011, labour costs were \$4.4 million compared to \$6.0 million in 2010. The year-over-year decrease in expenditures of \$1.6 million represented an approximate 26% decrease. The decrease was primarily due to increased efficiency and fewer staff members engaged in all areas of the Company's business. The average number of employees was 34 in 2011 compared to 43 in 2010.

Other Operating Costs

Other Operating Costs consist primarily of facility costs, professional services, telephone expenses, travel, and costs associated with operating as a public issuer. Other Operating Costs for the year ended December 31, 2011 totaled \$2.2 million compared to \$2.4 million in 2010. The decrease of \$0.2 million (or approximately 7%) was principally attributable to the Company's cash conservation program relating to office rent and telecommunications costs.

Amortization

Amortization expense for the year ended December 31, 2011 was \$1.0 million, compared to \$1.5 million in 2010. The decrease is primarily attributable to lower amortization from an intangible license purchased in 2009, which was fully amortized in 2010.

Impairment of Intangible Assets

For the year ended December 31, 2010, the Company recorded an impairment charge in respect of an intangible asset of \$1.1 million. The impairment charge in 2010 related to certain assets capitalized with respect to an advertising network program. No similar expense was recorded in 2011.

Operating Loss

Operating Loss for the year ended December 31, 2011 was \$1.8 million, compared to negative \$7.0 million in 2010. The 74% improvement is primarily attributable to reduced labour costs and an increase in usage-based revenues generated from customer contracts.

Loss attributed to Debt Conversion Incentive Program

In December, 2011, the shareholders and directors of the Company approved an incentive program whereby holders of debentures issued by the Company would be incented to exercise the conversion privileges granted in the debentures to convert the debt instruments into common shares of the Company. In compliance with IFRS, the number of incremental common shares that could be distributed to debenture holders, regardless of whether the debenture holder converts their debentures, as part of the incentive program was multiplied by the closing share price on the date the shareholders approved the incentive plan to determine the fair value of loss. As a result, the Company was required to record a non-cash charge of \$8.6 million for the year ended December 31, 2011. No similar charge was recorded in 2010.

Interest and Accretion Expense

Interest and accretion expense for the year ended December 31, 2011 was \$3.1 million, which was primarily attributable to the convertible debentures that were privately placed in 2009, 2010 and 2011. The comparable expense for 2010 was \$1.6 million. The increase is due to additional convertible debentures that were issued in 2011 as well as the conversion of a number of debentures on December 30, 2011 that resulted in an acceleration of the accretion expense.

Provision for Income Tax Expense

For the year ended December 31, 2011, the Company recorded a gain in income tax expense of \$0.3 million. In 2007, in connection with the Company's acquisition of BTS Logic Europe ApS, the Company recorded a provision in respect of a potential tax reassessment. As this exposure is now statute barred, the provision has been reversed. No similar expense or recovery was recognized in 2010.

Net Loss

The Company's net loss for the year ended December 31, 2011 was \$13.2 million, which was \$4.6 million higher than the net loss of \$8.6 million in 2010.

SUMMARY OF QUARTERLY RESULTS

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

Unaudited (000's, except per share amounts)	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Revenue	\$592	\$1,283	\$1,273	\$1,058	\$1,090	\$2,100	\$2,009	\$1,004
Expenses								
Network and Data Costs	169	237	146	67	45	59	53	155
Labour Costs	2,099	1,482	1,187	1,231	1,143	1,059	1,090	1,135
Other Operating Costs	617	726	522	549	548	567	527	616
Impairment of intangible asset	-	1,107	-	-	-	-	-	-
Amortization	443	437	310	281	261	238	231	241
Gain on settlement of rights obligation	-	-	-	(447)	-	-	-	-
	3,328	3,989	2,165	1,681	1,997	1,923	1,901	2,147
Operating Loss	(2,736)	(2,706)	(892)	(623)	(907)	177	108	(1,143)
Other income/(expense)								
Interest income (expense)	(302)	(313)	(405)	(591)	(798)	(732)	(754)	(803)
Loss from debt conversion incentive program	-	-	-	-	-	-	-	(8,565)
Income tax (expense)	4	-	-	-	8	249	(1)	3
Net loss for the period	(3,034)	(3,019)	(1,297)	(1,214)	(1,697)	(306)	(647)	(10,508)
Basic and diluted loss per share	\$(0.04)	\$(0.04)	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.00)	\$(0.01)	\$(0.11)

The Company's loss for the three months ended December 31, 2011 was \$10.5 million or \$0.11 per share compared to a loss of \$1.2 million or \$0.01 per share in 2010. For the three months ended December 31, 2011 (as compared to the three months ended December 31, 2010), network and data costs increased by \$0.1 million, labour costs decreased \$0.1 million, and other operating costs did not change significantly.

Revenues of \$1.0 million for the three months ended December 31, 2011 were not significantly different from the revenues generated in Q4 2010. The revenues for the fourth quarter of 2010 consisted primarily of fixed maintenance and implementation fees while 50% of revenues for Q4 2011 were derived from transaction based fees with the remaining 50% of revenues from fixed maintenance and implementation fees. The following table sets out information concerning revenue by product line for the periods indicated.

(000's)	Three months ended December 31, 2011	Three months ended December 31, 2010	Variance	% change
Voice	184	414	(254)	(61%)
SMS Data	506	74	490	662%
Workstation	314	571	(276)	(48%)
Total	1,004	1,059	(40)	(4%)

Operating expenses for the three months ended December 31, 2011, were \$2.1 million compares to \$1.7 million for Q4 2010. The variance is primarily attributed to the \$0.4 million gain on settlement of a rights obligation that occurred in 2010.

FINANCIAL CONDITION

The following table sets out selected information concerning the Company's financial position as at the dates indicated.

Selected data on financial position in 000's	2011	2010	2009*
Cash and cash equivalents	\$ 382	\$ 380	\$ 3,447
Working capital	\$ (5,480)	\$ (4,579)	\$ (356)
Total assets	\$ 6,500	\$ 7,870	\$ 13,846
Total long-term liabilities	\$ 3,456	\$ 7,793	\$ 7,418
Total liabilities	\$ 10,135	\$ 14,577	\$ 13,194
Shareholders' equity	\$ (3,635)	\$ (6,707)	\$ 652

* Amounts prior to January 1, 2010 are reported using Canadian GAAP.

Cash and Cash Equivalents

At December 31, 2011, the Company's cash and cash equivalents amounted to approximately \$0.4 million compared with \$0.4 million at December 31, 2010.

Assets

VV's total asset base as at December 31, 2011 was \$6.5 million, a \$1.4 million decrease from \$7.9 million at December 31, 2010. Long-term assets, consisting primarily of capital assets, goodwill, and intangibles, decreased from \$5.7 million at December 31, 2010 to \$5.3 million as at December 31, 2011. The decrease was primarily the result of amortization, offset by an increase in goodwill as a result of the purchase of the assets of UpSNAP in Q4 2011. Current assets as at December 31, 2011, which consisted primarily of cash and accounts receivables, decreased \$1.0 million as compared to December 31, 2010. The primary reason for the decrease related to the collection of an accounts receivable from one customer. During Q2 2011, the Company settled an action commenced against the Yellow Pages Group of Canada Co. ("YPG") as a result of which the balance owing to the Company by YPG at March 31, 2011 (\$0.9 million) was paid in full.

Working Capital

Working capital represents the Company's current assets less its current liabilities. At December 31, 2011, the Company had a working capital deficit of \$5.5 million compared to a working capital deficit of \$4.6 million at December 31, 2010. The \$0.9 million increase in the Company's working capital deficit was primarily due to the decrease in current assets described in the previous paragraph. Changes in current liabilities included an increase of \$3.2 million of additional debentures due within 12 months of December 31, 2011, offset by a \$2.7 million decrease in the Company's deferred revenue liability.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that 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 losses totaling \$79.2 million since the Company commenced operations in 2000. As of December 31, 2011, the Company had a working capital deficit of \$5.5 million and a cash balance of \$0.4 million.

The Company's ability to continue operations remain dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer relationships; or 3) secure new customer relationships that provide the Company with adequate funds to cover expenditures projected for the balance of 2012 (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.

OUTSTANDING SHARE DATA

VV's outstanding share capital consists of Common Shares. The Company is authorized to issue an unlimited number of Common Shares. At December 31, 2011, 151,836,882 Common Shares were outstanding compared to 88,232,247 Common Shares outstanding at December 31, 2010. The increase was due to the issuance of 12,500,000 Common Shares in connection with a private placement on October 25, 2011, the issuance of 3,000,000 Common Shares to UpSNAP, the issuance of 331,928 Common Shares under the Company's employee share purchase plan, the issuance of 150,000 Common Shares in connection with the debenture financing completed in March 2011, the issuance of 44,427,681 Common Shares in connection with the conversion of debentures to equity in December 2011, the exercise of 1,040,000 share purchase warrants, the exercise of 328,334 stock options and the issuance of 1,826,692 Common Shares (at an average price of \$0.13 per share) in satisfaction of rent payments totaling \$0.24 million.

As at December 31, 2011, the Company had 12,735,000 (12,228,750 at December 31, 2010) stock options outstanding with a weighted average exercise price of \$0.11 and 12,288,523 (8,750,123 at December 31, 2010) share purchase warrants outstanding with an average exercise price of \$0.15. Under various tranches of convertible debentures distributed by the Company, holders are entitled to convert the outstanding principal amount of their debentures and accrued interest into Common Shares at a conversion prices ranging from \$0.50 to \$0.10 per share,

subject to anti-dilution adjustments. If the aggregate principal amount of the debentures distributed in 2009 and still outstanding at December 31, 2011 were to be fully converted, at the \$0.50 conversion price, an additional 5,130,000 Common Shares would be issued. If the aggregate principal amount of the debentures distributed in 2010 and still outstanding at December 31, 2011 were to be fully converted, at the \$0.10 conversion price, an additional 11,750,000 Common Shares would be issued. If the aggregate principal amount of the debentures distributed in 2011 were to be fully converted, at the \$0.25 conversion price, an additional 20,000,000 Common Shares would be issued. In addition, if the broker warrants distributed in connection with the convertible debenture financings concluded in 2010 and 2011 were fully exercised, an additional 3,647,000 Common Shares would be issued and outstanding. Accordingly, the number of issued and issuable shares on a fully diluted basis was 217,387,405 at December 31, 2011 compared to 140,261,310 at December 31, 2010. Further information on VV's outstanding share capital is provided in Note 8 to the Company's consolidated financial statements for the year ended December 31, 2011.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

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

Contractual Obligations as at December 31, 2011	Payments Due by Period in 000's				
	Total	2012	2013	2014	After 3 years
Long Term Debt	\$ 6,175	-	\$ 1,175	-	\$ 5,000
Interest on Debt Instruments	\$ 2,499	\$ 933	\$ 668	\$ 600	\$ 298
Operating Leases	\$ 853	\$ 653	\$ 200	-	-
Other Short Term Debt Obligations	\$ 3,740	\$ 3,740	-	-	-
Total Contractual Obligations	\$ 13,267	\$ 5,326	\$ 2,043	\$ 600	\$ 5,298

The Company did not have any "off-balance sheet" arrangements as of December 31, 2011. The Company did not have any commitments for capital expenditures as of December 31, 2011 nor any financing sources arranged, but not yet used.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, the Company recorded \$0.2 million (\$0.2 million for the same period in 2010) of general and administrative expenses for transactions with entities controlled or influenced by the Company's officers or directors, which transactions were entered into in the normal course of operations. During the year ended December 31, 2011, these directors and officers received \$0.2 million of interest in accordance with the terms of the debentures previously distributed to them. In addition, the debentures issued in August 2010 are secured, in part, by a security interest in assets made available by the Chairman of the Board of the Company. Lastly, in the fourth quarter of the year, the Company loaned \$350,000 to a director for assistance in securing a licensing contract with a new customer. The loan was repaid in full before December 31, 2011.

OUTLOOK

During the second half 2011, the Company introduced its Cloud-based Software as a Service platform. Under this initiative, the Company integrated many of its existing customer relationships with its own hosted and managed platform in an effort to provide a comprehensive advertising network to various sources of call-based and web-based consumer traffic. In the fourth quarter of 2011, the Company completed the acquisition of the assets of UpSNAP and in January 2012, the Company completed the acquisition of the assets of Old VoodooVox – a US based mobile advertising and data analytics company. Management expects that these acquisitions will allow the Company to expand its product offering to existing and prospective customers, increase revenues, and move further into the advertising network space through additional forms of publications, advertisers, mobile advertising services and partnerships. The Company has merged the operations of the acquired assets in the first quarter of 2012. In January 2012, the Company initiated the rebranding of the Company as VoodooVox - Smarter Mobile Advertising.

The amount of revenue generated from the Smarter Mobile Advertising platform will depend, to a significant degree, on the Company's ability to source relevant traffic and ads that prompt consumers to act in a manner that generates a measurable sales lead to a merchant. UpSNAP's arrangements with its customers are such that it generally receives compensation based on the number and type of leads generated. Due to the nature of performance based revenues, variability of potential results, and the uncertainty of consumer adoption, the Company is not providing any financial guidance for future periods at this time.

BUSINESS RISKS AND UNCERTAINTIES

The business of VV is subject to numerous risk factors, including those more particularly described below. An investment in and ownership of Common Shares should be considered highly speculative due to the nature of VV'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 VoodooVox's technology and business, and the fact that VoodooVox's ability to generate revenue will depend on a variety of factors (including the ability of VoodooVox to meet its development schedule and consumer and merchant acceptance of VoodooVox technologies), additional funds are required to support VoodooVox's business. VoodooVox has accumulated a substantial deficit and currently has a significant working capital deficiency. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Corporation'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 VoodooVox) or may result in significant dilution to VoodooVox shareholders or significant interest obligations. The inability to obtain additional funds may have a material adverse affect on VoodooVox's business, results of operations, and financial condition.

No Record of Profit

VoodooVox has incurred significant losses to date, and there can be no assurance that the future business activities of VoodooVox will be profitable. Since its organization, VoodooVox has incurred costs to develop and enhance its technology, to establish strategic relationships, to acquire complementary technologies and to build administrative support systems. VoodooVox has incurred negative operational cash flow to date. VoodooVox incurred losses from operations of \$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. VoodooVox'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 VoodooVox 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 affect on VoodooVox's business, results of operations and financial condition.

Developing Market

VoodooVox is engaged in the development and marketing of solutions and services that are relatively new and, as such, the primary market for VoodooVox'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 VoodooVox 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 VoodooVox's business, results and financial condition.

Third Party Technology

In providing its solutions and services, VoodooVox is, and will continue to be, dependent on technologies and infrastructure that are beyond VoodooVox's control, including landline and cellular telephone networks, directory databases and speech recognition and text-to-speech applications. There can be no assurance that if weaknesses or errors in third party software or hardware are detected, VoodooVox will be able to correct or compensate for such weaknesses or errors. If VoodooVox 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, VoodooVox'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 VoodooVox. If VoodooVox is unable to obtain third party technology on acceptable terms, VoodooVox'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 VoodooVox to adapt to such change may have an adverse affect on VoodooVox's business, results of operations and financial condition. The effect of new developments and technological changes on the business sector in which VoodooVox 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 data analytics in advertising, consumer backlash resulting from the collection and use of demographic intelligence, clients' ability to execute and industry consolidation. VoodooVox's failure to adapt to any of the above could have a material adverse effect on VoodooVox's business, results of operations and financial condition.

Competition

VoodooVox is subject to competition from other organizations (many of which have substantially greater human and financial resources) and there can be no assurance that VoodooVox 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, call analytics and ad network arrangements. The inability of VoodooVox to preserve existing customers and secure additional customers due to competitive technologies will have a material adverse effect on VoodooVox'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 VoodooVox.

Need for Research and Development

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

Patents and Other Intellectual Property

While VoodooVox 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 VoodooVox. Any patents covering elements of the VoodooVox technology granted to third parties (or the inability of VoodooVox to successfully challenge such patents) may impair VoodooVox'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.

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

VoodooVox 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 VoodooVox may incur substantial costs as a result. Any claims or litigation initiated by VoodooVox to protect its intellectual property could result in significant expense to VoodooVox and diversion of the efforts of VoodooVox's technical and management resources, whether or not the claims or litigation are determined in favor of VoodooVox.

Ability to Manage Growth

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

Personnel Resources

VoodooVox 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 VoodooVox 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

VoodooVox 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 VoodooVox'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 VoodooVox's business, results of operations and financial condition.

Risk of Industry Consolidation

VoodooVox'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, VoodooVox 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 VoodooVox's business, results of operations and financial conditions.

Government Regulation

The marketplace within which VoodooVox operates is in constant flux in relation to government regulation. Areas being regulated include regulation relating to call handling, privacy, 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 VoodooVox's business, results of operations and financial condition.

Costs Associated with Compliance with Securities Laws

VoodooVox 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 VoodooVox's business, results of operations and financial condition. If VoodooVox is unable to generate significant revenues from business operations, the cost of complying with applicable regulatory requirements will represent a significant financial burden to VoodooVox and may have a material adverse effect on VoodooVox's business, results of operations and financial condition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements as at and for the year ended were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Please refer to Note 2 of the Company's annual 2011 financial statements for information concerning the Company's adoption of IFRS and 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.

In addition, Note 15 of the Company's 2011 annual financial statements provides further detail on the changeover to IFRS and the resulting effects on the Company's 2010 financial statements. The only change resulting from the transition to IFRS that affected the 2010 financial statements relates to the functional currency used with respect to the Company's subsidiary in Denmark. IFRS requires that the functional currency of each entity be determined separately. The Company has determined that as at the January 1, 2010 (the "Transition Date") the Canadian dollar was the functional currency of all entities. As a result, all foreign exchange translation differences as of the Transition Date are recorded through operations. Under Canadian GAAP, the Company's subsidiary in Denmark was defined as a self-sustaining foreign operation and cumulative foreign exchange translation differences arising on consolidation were recorded in a

separate component of equity. In accordance with IFRS 1, optional exemptions, the Company elected to transfer these cumulative foreign exchange translation differences to deficit at the Transition Date. The amount of the adjustment was less than \$0.1 million.

CONTROLS AND PROCEDURES

As required by National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim filings*, the Company's Chief Executive Officer and Chief Financial Officer have made certain certifications related to the Company's interim and annual filings (as defined by NI 52-109), which have been filed with certain securities regulators in Canada.

Evaluation of Disclosure Controls and Procedures

Under NI 52-109, the Chief Executive Officer and the Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to provide reasonable assurance that: 1) material information relating to the Company is made known to them by others, particularly during the period in which annual filings are being prepared; and 2) information required to be disclosed by the Company in its filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Chief Executive Officer and the Chief Financial Officer of the Company are satisfied with the effectiveness of the Company's disclosure controls and procedures and have not identified any material weaknesses relating to the design of its disclosure controls and procedures.

Management's Report on Internal Control over Financial Reporting

As part of the NI 52-109 certifications, the Chief Executive Officer and Chief Financial Officer of the Company must certify that they are responsible for establishing and maintaining internal controls over financial reporting ("**ICFR**") and have designed such controls (or caused them to be designed under their supervision) in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer are satisfied with the effectiveness of the Company's internal controls over financial reporting and have not identified any material weaknesses relating to the design of such internal controls. Consistent with the Company's stage of development, the Company continues to rely on risk mitigating procedures during its financial close processes in order to provide comfort that the financial statements are presented fairly in accordance with IFRS.

While the Chief Executive Officer and the Chief Financial Officer are satisfied with the effectiveness of the Company's internal controls over financial reporting, additional improvements could be undertaken to address: 1) further segregation of accounting duties; 2) further investment in technical accounting knowledge with respect to non-routine transactions and projects; and 3) further investment in accounting systems software.

In particular, the Company records complex and non-routine transactions. These transactions can be extremely technical in nature and require an in-depth understanding of IFRS. To address this risk, the Company consults with third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, an annual audit is completed by the Company's auditors, and presented to the Audit Committee for its review and approval. At this time, the Company is not considering any expansion of the technical expertise within its accounting group and will continue to work closely with its third party advisors.

The Company continues to direct available resources to assessing and improving the overall control environment and governance processes within the Company, but has not made any additional material changes to its system of internal controls over financial reporting.

Changes in Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer have determined that there were no changes in the Company's ICFR that occurred during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

The design of any system of internal controls and procedures is based in part upon various assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

30. APPENDIX E: 2012 Q1 MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") for VoodooVox Inc. (formerly Call Genie Inc.) ("**VV**", "**VoodooVox**" or the "**Company**") should be read in conjunction with VV's unaudited condensed interim consolidated financial statements, and the accompanying notes, as at and for the quarter ended March 31, 2012, which have been filed with certain securities regulatory authorities in Canada and may be accessed through the SEDAR website at www.sedar.com (under VoodooVox'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, Call Genie (Ontario) Inc., VoodooVox USA Holdings, Inc. (formerly Call Genie (USA), Inc.), BTS Logic Europe ApS, Call Genie Europe B.V., and VoodooVox Limited (formerly PhoneSpots Limited). VV's quarterly 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 May 14, 2012 and the information in this MD&A is current to May 14, 2012, unless otherwise noted. 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.

In January 2012, the Company changed its name from "Call Genie Inc." to "VoodooVox Inc.", following the acquisition of a private Delaware corporation (engaged in the business of providing mobile advertising and data analytics) also named "VoodooVox, Inc." In the MD&A, that private Delaware corporation is referred to as "Old VoodooVox". In October 2011, the Company acquired the assets of UpSNAP Services LLC, which is referred to in this MD&A as "UpSnap".

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, including the Company's Annual Information Form, are available through the Company's website at www.voodoovox.com or through the SEDAR website at www.sedar.com (under VoodooVox'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" herein. **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. VoodooVox's forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statement.

EXECUTIVE SUMMARY

VoodooVox is engaged in the business of providing mobile advertising solutions to advertisers and publishers. Its technology, tools and services help publishers to generate their advertising revenues, acquire users and gain insight into their users. The Company offers advertisers significant audience reach, sophisticated targeting capabilities and the ability to deliver rich and engaging ad experiences to consumers on their mobile connected devices.

The Company's loss for the quarter ended March 31, 2012 was \$2.5 million (or \$0.01 per share) compared to a loss of \$1.7 million (or \$0.02 per share) reported for Q1 2011. Revenues for the quarter ended March 31, 2012 totaled \$1.0 million compared to \$1.1 million for Q1 2011. The decrease in revenues is primarily attributable to the Company's need to focus on acquisition integration and the transition from its former solution based business model to its cloud-based mobile advertising platform. For the quarter ended March 31, 2012 (as compared to 2011), labour costs increased by \$0.6 million due primarily to the addition of staff from recent acquisitions. Network and publisher costs also increased by an aggregate of \$0.3 million. The Company's business plan contemplates payments to publishers for mobile advertising.

As at March 31, 2012, the Company had a cash balance of \$0.2 million and a working capital deficit of \$6.4 million which included \$4.8 million of debentures that are scheduled to mature prior to March 31, 2013. Cash flow used in operations was \$0.9 million for the quarter ended March 31, 2012, which was unchanged from the \$0.9 million of cash flow used in operations in 2011. The Company's future operations remain dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer relationships; or 3) secure new customer relationships that provide the Company with adequate funds to cover expenditures projected for the balance of 2012 (or a combination of the foregoing). **In recent years, the Corporation has relied upon external debt financing to provide it with the working capital required to support ongoing operations. In light of current constraints on VV's ability to obtain financing from external sources, the Board of Directors has determined to consider a possible business combination transaction with a third-party.**

On May 9, 2012, the Company announced that it entered into a letter of intent (the "**LOI**") with a third-party technology company respecting a potential business combination transaction. The LOI includes an exclusivity period until June 30, 2012, which is intended, among other things, to provide VoodooVox and the third-party with sufficient time to conduct due diligence, consider the structure of the proposed transaction and negotiate various deal terms. Other than in respect of provisions relating to the exclusivity period and certain other limited obligations, the LOI is not binding on either party and may be terminated by either party. The LOI is subject to various conditions, including satisfactory completion of due diligence by both VV and the third-party, negotiation of formal legal documentation and other conditions that may be included in any definitive transaction agreements. The exact nature and structure of a transaction have not been determined and the LOI contemplates that the parties will have further discussions in that regard. **Accordingly, VoodooVox cautions that there can be no assurance that a transaction will be completed with the third-party as contemplated by the LOI.**

In December 2011, to promote the conversion of the principal amount of certain debentures issued by the Company and accrued but unpaid interest thereon, the Company implemented an

incentive program providing for a reduction (to \$0.10) in the conversion price applicable to those debentures. In December 2011, debenture holders converted \$4.4 million aggregate principal amount of debentures and accrued but unpaid interest into 44,427,681 Common Shares. In January 2012, debenture holders converted \$2.3 million aggregate principal amount of debentures and accrued but unpaid interest into 24,115,280 Common Shares and issued 2,276,000 Common Share purchase warrants. The Company's interest and accretion expense decreased by \$0.3 million from Q1 2011 due to the conversion of \$6.7 million aggregate principal amount of debentures and accrued but unpaid interest into Common Shares.

On March 6, 2012, the Company issued non-convertible debentures for gross aggregate proceeds of \$1.0 million. The debentures bear interest at a rate of 15% per annum, payable semi-annually, and the majority of the debentures will mature one year from the closing date. Also during the quarter, the Company entered in agreements with a debenture holder to extend the maturity date on a \$0.3 million debenture from February 15, 2012 to February 15, 2013. In addition, the Company entered into agreements to defer interest payable on April 30, 2012 (in respect of certain outstanding debentures) until October 31, 2012.

The following table sets out selected financial and share information of the Company as at March 31 for the years indicated:

KEY FINANCIAL METRICS in 000's (except share amounts)	3 months ended March 31, 2012	3 months ended March 31, 2011	3 months ended March 31, 2010
Cash and cash equivalents	\$ 243	\$ 2,746	\$ 1,115
Deferred revenue	\$ 267	\$ 2,844	\$ 4,692
Revenue	\$ 1,001	\$ 1,090	\$ 592
Operating loss	\$ (1,978)	\$ (907)	\$ (2,735)
Net loss	\$ (2,458)	\$ (1,697)	\$ (3,034)
Loss per share – basic and fully diluted	\$ (0.01)	\$ (0.02)	\$ (0.04)
Common Shares outstanding			
- Basic	187,600,274	89,850,241	83,048,225
- Fully diluted	256,522,274	161,791,814	114,944,681

BUSINESS STRATEGY

Our Goal and Strategy

VoodooVox is engaged in the business of providing mobile advertising solutions to advertisers and publishers. Its technology, tools and services help publishers to generate their advertising revenues, acquire users and gain insight into their users. The Company offers advertisers significant audience reach, sophisticated targeting capabilities and the ability to deliver rich and engaging ad experiences to consumers on their mobile connected devices.

VoodooVox's business strategy is based on developing and expanding its own network of publishers and advertisers as well as establishing commercial relationships with third party organizations that have direct consumer and advertising relationships. Those third party entities can be wireless carriers, directory assistance providers or other companies that have significant wireless or wireline customer bases. The third party organizations that have advertising relationships can be search engine companies, yellow page publishers or media companies that have developed significant advertising publications in traditional or online media. In addition, the VoodooVox network is supplemented by direct arrangements with both advertisers and publishers. The Company has access to both national and local advertisers. The Company is focused on leveraging its proprietary technology and caller analytics to provide highly targeted advertisements to mobile consumers.

Strategic Priorities and Progress

The following table sets out information concerning various strategic priorities established for the Company and the progress made by the Company to date in achieving those priorities.

Strategic Priority	Current Status
Growth from acquisitions	<ul style="list-style-type: none"> Identified several target companies with complementary products, solutions, and customer base. Completed purchase of assets of UpSnap in the fourth quarter of 2011. Completed the purchase of assets of Old VoodooVox in the first quarter of 2012.
Deliver solutions	<ul style="list-style-type: none"> Solutions deployed in 11 countries; principally in Canada, the United States and Europe. The sales and account management function is focused on defining solutions rather than selling technology.
Increase revenue through mobile advertising network	<ul style="list-style-type: none"> Acquired mobile advertising assets of UpSnap and Old VoodooVox. Established new relationships with publishers and advertisers.
Leverage analytics capabilities by applying to Mobile Advertising platform	<ul style="list-style-type: none"> Integrated operations of UpSnap and Old VoodooVox including cross training of all sales and business development staff. Begun applying data analytics to existing ad network opportunities.
Secure additional financing	<ul style="list-style-type: none"> Completed a \$1.0 million financing in the first quarter of 2012. Continuing to explore and pursue other potential strategic and financing alternatives.

KEY PERFORMANCE DRIVERS

There are three key drivers that management currently monitors to gauge performance and the Company's ability to execute its business plan. Those drivers are summarized below:

1) Revenues from Mobile Advertising Opportunities:

The Company has expanded its mobile advertising products with the acquisition of the assets of UpSnap and Old VoodooVox. These acquisitions include access to new sources of advertising placement opportunities as well as new advertisers.

2) Revenues from Data Analytics:

A key part of the assets acquired from Old VoodooVox is the Company's data analytics technology. The technology provides real-time demographic information on phone calls and mobile ad traffic. Working with their own proprietary information and data provided by third party aggregators, companies can apply the data analytics to gain valuable insight into their call volume and mobile game/application activity.

3) Revenues from Traditional Search and Voice Based Solutions:

The Company has identified several business development opportunities for the sale of its traditional voice based solutions and workstation software. The Company has entered into agreements that are implementation fee and transaction oriented or based on fixed up-front license fees with ongoing maintenance.

CAPABILITY TO DELIVER

Leadership

Execution of the Company's business plan is, to a significant degree, dependent on the capabilities of its senior management. Executive leadership is a key component of the planning, organizing and delivery necessary to achieve success. The Company has an executive management team with over 72 combined years of industry specific experience in the technology field. The executive team is led by Michael Durance, the Company's Chief Executive Officer. Mr. Durance has over 30 years of experience and has been with VV since June 1, 2005.

The Company has assembled an experienced executive team that includes Chet Chan, Chief Operating Officer (formerly, General Manager North America (hired in June 2007 with 21 years of experience)), and Chris Shelton, Chief Financial Officer (hired in March 2006 with over 21 years of experience). Further information about the executive team and the Board of Directors is available on the Company's website at www.voodoovox.com.

Financing

On March 31, 2012, the Company had a cash balance of \$0.2 million. Notwithstanding completion of a \$1.0 million debenture financing on March 6, 2012, the Company's future

operations remain dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer relationships; or 3) secure new customer relationships that provide the Company with adequate funds to cover expenditures projected for the balance of 2012 (or a combination of the foregoing). If the Company does not generate sufficient funds from existing or new customer relationships and it 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. **In recent years, the Corporation has relied upon external debt financing to provide it with the working capital required to support ongoing operations. In light of current constraints on VV's ability to obtain financing from external sources, the Board of Directors has determined to consider a possible business combination transaction with a third-party.**

On May 9, 2012, the Company announced that it entered into a letter of intent (the "**LOI**") with a third-party technology company respecting a potential business combination transaction. The LOI includes an exclusivity period until June 30, 2012, which is intended, among other things, to provide VoodooVox and the third-party with sufficient time to conduct due diligence, consider the structure of the proposed transaction and negotiate various deal terms. Other than in respect of provisions relating to the exclusivity period and certain other limited obligations, the LOI is not binding on either party and may be terminated by either party. The LOI is subject to various conditions, including satisfactory completion of due diligence by both VV and the third-party, negotiation of formal legal documentation and other conditions that may be included in any definitive transaction agreements. The exact nature and structure of a transaction have not been determined and the LOI contemplates that the parties will have further discussions in that regard. **Accordingly, VoodooVox cautions that there can be no assurance that a transaction will be completed with the third-party as contemplated by the LOI.**

Productive Capacity

The Company's business model is premised on its ability to generate recurring revenues without a proportional increase in expenses for staff salaries and benefits. To that end, the Company builds its application software using a product model rather than building individual customized solutions. Management of VV believes that the Company has adequate human resources to deliver all projects currently scheduled.

RESULTS OF OPERATIONS

Overall

The Company's loss for the quarter ended March 31, 2012 was \$2.5 million (or \$0.01 per share) compared to a loss of \$1.7 million (or \$0.02 per share) reported for Q1 2011. The increase was due primarily to additional labour and network and data costs resulting from the acquisition of UpSnap in Q4 2011 and Old VoodooVox in Q1 2012. The Company's operating loss was \$2.0 million for the quarter ended March 31, 2012, compared to a loss of \$0.9 million in Q1 2011. Revenues for the quarter ended March 31, 2012 totaled \$1.0 million compared to \$1.1 million for Q1 2011. The decrease in revenues is primarily attributable to the Company's need to focus on acquisition integration activities and its continuing shift to its mobile advertising network

business model. For the quarter ended March 31, 2012 (as compared to 2011), labour costs increased by \$0.6 million as the average number of employees was 48 compared to 37. The increase in the average number of employees is primarily attributable to new staff members who joined the Company following the UpSnap and Old VoodooVox acquisitions.

Revenues

Revenues for the quarter ended March 31, 2012 were \$1.0 million compared to \$1.1 million in Q1 2011. Revenues decreased \$0.1 million in North America. In Europe and the rest of the world revenues were unchanged. The following table sets out additional information concerning revenue by product line for the periods indicated.

In 000's	3 months ended March 31, 2012	3 months ended March 31, 2011	Variance	% change
Mobile Advertising	612	90	522	580%
Voice and Workstation solutions	389	1,000	(611)	(61%)
Total	1,001	1,090	(89)	(8%)

The overall decrease in revenues is primarily attributable to the Company's need to focus on acquisition integration activities and its continuing shift to a new business model. Early in the third quarter of 2011, the Company initiated a transition to a new service and business model under which the Company generates usage revenues through its cloud-based SaaS platform. There can be no assurance that the terms of any new arrangements under the SaaS platform will be as favorable as the terms of prior arrangements or will result in similar levels of revenues for the Company.

Deferred revenue at March 31, 2012 was \$0.3 million, unchanged from \$0.3 million at March 31, 2011. 100% of the deferred revenue reported at March 31, 2012 has been recorded as a current liability in accordance with IFRS.

Operating Costs

Expenses for the quarter ended March 31, 2012 increased to \$3.0 million from \$2.0 million for Q1 2011. The increase of \$1.0 million was primarily due to higher staff levels resulting from the acquisition of UpSnap in Q4 2011 and Old VoodooVox in Q1 2012 as well as increased network and publisher costs related to the SaaS platform.

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 traffic (places to insert advertisements) from publishers. This includes network, data and operating charges required to support revenue generating services. Network and publisher costs for the quarter ended March 31, 2012 totaled \$0.3 million compared to \$0.1 million for 2011. The increase was primarily attributable to an increase in transaction volumes due to the acquisitions of UpSnap and Old VoodooVox.

Labour Costs

Labour costs consist of employee salaries, employee benefits, amounts paid to consultants and stock option compensation expense. For the quarter ended March 31, 2012, labour costs were \$1.8 million compared to \$1.1 million in 2011. The increase was primarily due to additional staff resulting from the acquisitions of UpSnap and Old VoodooVox. The average number of employees was 48 in the first quarter of 2012 compared to 37 in Q1 2011.

Other Operating Costs

Other operating costs consist primarily of facility costs, professional services, telephone expenses, travel, and costs associated with operating as a public issuer. Other operating costs for the quarter ended March 31, 2012 totaled \$0.6 million compared to \$0.5 million in 2011. The increase is principally attributable to increased facility and telecommunication costs resulting from the acquisitions of UpSnap and Old VoodooVox.

Amortization

Amortization expense for the quarter ended March 31, 2012 was \$0.3 million, unchanged from \$0.3 million in 2011. A decrease in the Company's amortization on property and equipment was offset by an increase in amortization on intellectual property resulting from the acquisitions of UpSnap and Old VoodooVox.

Operating Loss

The Company's operating loss for the quarter ended March 31, 2012 was \$2.0 million compared to a loss of \$0.9 million in 2011. The increase is primarily attributable to additional labour, network and data costs resulting from the acquisitions of UpSnap and Old VoodooVox.

Interest and Accretion Expense

Interest and accretion expense for the quarter ended March 31, 2012 was \$0.5 million compared to \$0.8 million in 2011. In the fourth quarter of 2011, the shareholders and directors of the Company approved an incentive program in an effort to encourage holders of outstanding debentures to convert outstanding principal and interest into Common Shares. The incentive program resulted in a \$6.7 million reduction in the principal amount of outstanding debentures and accrued but unpaid interest. The decrease in interest and accretion expense is due to this reduction in the amount of principal and interest payable under outstanding debentures.

Net Loss

The Company's net loss for the quarter ended March 31, 2012 was \$2.5 million, which was \$0.8 million higher than the net loss of \$1.7 million in 2011. The increase in net loss is principally attributable to slightly decreased revenues for the quarter and increased expenses resulting primarily from the UpSnap and Old VoodooVox acquisitions.

SUMMARY OF QUARTERLY RESULTS

VoodooVox Inc.
Q1 2012 MD&A

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

Unaudited (000's, except per share amounts)	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012
Revenue	\$1,283	\$1,273	\$1,058	\$1,090	\$2,100	\$2,009	\$1,004	\$1,001
Expenses								
Network and Data Costs	237	146	67	45	59	53	155	300
Labour Costs	1,482	1,187	1,231	1,143	1,059	1,090	1,135	1,779
Other Operating Costs	726	522	549	548	567	527	616	595
Impairment of intangible asset	1,107	-	-	-	-	-	-	-
Amortization	437	310	281	261	238	231	241	305
Gain on settlement of rights obligation	-	-	(447)	-	-	-	-	-
	3,989	2,165	1,681	1,997	1,923	1,901	2,147	2,979
Operating Loss	(2,706)	(892)	(623)	(907)	177	108	(1,143)	(1,978)
Other income/(expense)								
Interest income (expense)	(313)	(405)	(591)	(798)	(732)	(754)	(803)	(480)
Loss from debt conversion incentive program	-	-	-	-	-	-	(8,565)	-
Income tax (expense)	-	-	-	8	249	(1)	3	-
Net loss for the period	(3,019)	(1,297)	(1,214)	(1,697)	(306)	(647)	(10,508)	(2,458)
Basic and diluted loss per share	\$(0.04)	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.00)	\$(0.01)	\$(0.11)	\$(0.01)

FINANCIAL CONDITION

The following table sets out selected information concerning the Company's financial position as at the dates indicated.

Selected data on financial position in 000's	March 31, 2012	December 31, 2011	December 31, 2010
Cash and cash equivalents	\$ 243	\$ 382	\$ 380
Working capital	\$ (6,381)	\$ (5,498)	\$ (4,579)
Total assets	\$ 7,502	\$ 6,500	\$ 7,870
Total long-term liabilities	\$ 2,745	\$ 3,456	\$ 7,793
Total liabilities	\$ 10,505	\$ 10,135	\$ 14,577
Shareholders' equity	\$ (3,003)	\$ (3,635)	\$ (6,707)

Cash and Cash Equivalents

At March 31, 2012, the Company's cash and cash equivalents amounted to approximately \$0.2 million compared with \$0.4 million at December 31, 2011.

Assets

VV's total asset base as at March 31, 2012 was \$7.5 million, a \$1.0 million increase from \$6.5 million at December 31, 2011. Long-term assets, consisting primarily of capital assets, goodwill, and intangibles, increased from \$5.3 million at December 31, 2011 to \$6.1 million as at March 31, 2012. The increase was primarily the result of the purchase of the assets of Old VoodooVox. Current assets as at March 31, 2012, which consisted primarily of cash and accounts receivables, increased \$0.2 million as compared to December 31, 2011. The increase was principally attributable to the acquisition of additional receivables previously owing to Old VoodooVox, offset by a small decrease in cash.

Working Capital

Working capital represents the Company's current assets less its current liabilities. At March 31, 2012, the Company had a working capital deficit of \$6.4 million compared to a working capital deficit of \$5.5 million at December 31, 2011. Included in the \$6.4 million working capital deficit is \$4.8 million of debentures that are scheduled to mature prior to March 31, 2012. The \$0.7 million increase in the working capital deficit was primarily due to an increase in the current portion of outstanding debentures.

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 losses totaling \$81.7 million since the Company commenced operations in 2000. As of March 31, 2012, the Company had a working capital deficit of \$6.4 million and a cash balance of \$0.2 million.

The Company's ability to continue operations remain dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer relationships; or 3) secure new customer relationships that provide the Company with adequate funds to cover expenditures projected for the balance of 2012 (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. **In recent years, the Corporation has relied upon external debt financing to provide it with the working capital required to support ongoing operations. In light of current constraints on VV's ability to obtain financing from external sources, the Board of Directors has determined to consider a possible business combination transaction with a third-party.**

OUTSTANDING SHARE DATA

VV's outstanding share capital consists of Common Shares. The Company is authorized to issue an unlimited number of Common Shares. At March 31, 2012, 187,600,274 Common Shares were outstanding compared to 151,836,882 Common Shares outstanding at December 31, 2011. The increase was due to the issuance of 11,250,000 Common Shares to Old VoodooVox, the issuance of 345,619 Common Shares under the Company's employee share purchase plan, and the issuance of 24,167,773 Common Shares in connection with the conversion of debentures.

As at March 31, 2012, the Company had 26,050,000 (12,735,000 at December 31, 2011) stock options outstanding with a weighted average exercise price of \$0.11 and 11,675,000 (12,288,523 at December 31, 2011) share purchase warrants outstanding with an average exercise price of \$0.12. Under various tranches of convertible debentures distributed by the Company, holders are entitled to convert the outstanding principal amount of their debentures and accrued interest into Common Shares at a conversion prices ranging from \$0.50 to \$0.10 per share, subject to anti-dilution adjustments. If the aggregate principal amount of the debentures distributed in 2009 and still outstanding at March 31, 2012 were to be fully converted, at the \$0.50 conversion price, an additional 5,130,000 Common Shares would be issued. If the aggregate principal amount of the debentures distributed in 2010 and still outstanding at March 31, 2012 were to be fully converted, at the \$0.10 conversion price, an additional 11,700,000 Common Shares would be issued. If the aggregate principal amount of the debentures distributed in 2011 were to be fully converted, at the \$0.25 conversion price, an additional 10,720,000 Common Shares would be issued. In addition, if the broker warrants distributed in connection with the convertible debenture financings concluded in 2010 and 2011 were fully exercised, an additional 3,647,000 Common Shares would be issued and outstanding. Accordingly, the number of issued and

issuable shares on a fully diluted basis was 256,522,274 at March 31, 2012 compared to 217,387,405 at December 31, 2011. Further information on VV's outstanding share capital is provided in Note 8 to the Company's unaudited interim condensed consolidated financial statements for the quarter ended March 31, 2012.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

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

Contractual Obligations as at March 31, 2012	Payments Due by Period in 000's				
	Total	2012	2013	2014	After 3 years
Long Term Debt	\$ 3,555	-	\$ 875	-	\$ 2,680
Interest on Debt Instruments	\$ 1,647	\$ 719	\$ 447	\$ 322	\$ 159
Operating Leases	\$ 887	\$ 682	\$ 205	-	-
Other Short Term Debt Obligations	\$ 5,035	\$ 3,985	\$ 1,050	-	-
Total Contractual Obligations	\$ 11,124	\$ 5,386	\$ 2,577	\$ 322	\$ 2,839

The Company did not have any "off-balance sheet" arrangements as of March 31, 2012. The Company did not have any commitments for capital expenditures as of March 31, 2012 nor any financing sources arranged, but not yet used.

RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2012, the Company recorded \$0.1 million (\$0.1 million for the same period in 2011) of general and administrative expenses for transactions with entities controlled or influenced by the Company's officers or directors, which transactions were entered into in the normal course of operations. During the quarter ended March 31, 2012, these directors and officers received \$0.1 million of interest in accordance with the terms of the debentures previously distributed to them (\$0.1 million on 2011).

During the quarter ended March 31, 2012, the Company completed a \$1.0 million debt financing. Performance by the Company of its obligations under the applicable debentures is secured, in part, by personal assets owned by the Chairman of the Board. Subsequent to the quarter end, certain independent Board members determined that it would be appropriate for the Company to provide compensation to the Chairman of the Board for the provision of this additional security and formulated recommendations in that regard for further consideration by the full Board of Directors.

OUTLOOK

In the fourth quarter of 2011, the Company completed the acquisition of the assets of UpSnap and in January 2012, the Company completed the acquisition of the assets of Old VoodooVox. The Company integrated the operations of the acquired assets in the first quarter of 2012. In January 2012, the Company initiated the rebranding of the Company as "VoodooVox - Smarter Mobile Advertising".

The amount of revenue generated from the Smarter Mobile Advertising platform will depend, to a significant degree, on the Company's ability to source relevant traffic and ads that prompt consumers to act in a manner that generates a measurable sales lead to a merchant. UpSnap's arrangements with its customers are such that it generally receives compensation based on the number and type of leads generated. Due to the nature of performance based revenues, variability of potential results, and the uncertainty of consumer adoption, the Company is not providing any financial guidance for future periods at this time.

On May 9, 2012, the Company announced it entered into a letter of intent with a third-party technology company. The LOI contemplates a business combination transaction between VV and the third-party and provides for an exclusivity period until June 30, 2012, which is intended, among other things, to provide the Company and the third-party with sufficient time to conduct due diligence, consider the structure of the proposed transaction and negotiate various deal terms. Other than in respect of provisions relating to the exclusivity period and certain other limited obligations, the LOI is not binding on either party and may be terminated by either party. The LOI is subject to various conditions, including satisfactory completion of due diligence by both VV and the third-party, negotiation of formal legal documentation and other conditions that may be included in any definitive transaction agreements. The exact nature and structure of a transaction have not been determined and the LOI contemplates that the parties will have further discussions in that regard. **Accordingly, VoodooVox cautions that there can be no assurance that a transaction will be completed with the third-party as contemplated by the LOI.**

BUSINESS RISKS AND UNCERTAINTIES

The business of VV is subject to numerous risk factors, including those more particularly described below. An investment in and ownership of Common Shares should be considered highly speculative due to the nature of VV'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 VoodooVox's technology and business, and the fact that VoodooVox's ability to generate revenue will depend on a variety of factors (including the ability of VoodooVox to meet its development schedule and consumer and merchant acceptance of VoodooVox technologies), additional funds are required to support VoodooVox's business. VoodooVox has accumulated a substantial deficit and currently has a significant working capital deficiency. 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 VoodooVox) or may result in significant dilution to VoodooVox shareholders or significant interest obligations. The inability to obtain additional funds in the short term will have a material adverse affect on VoodooVox's business, results of operations, and financial condition and could result in the Company ceasing operations.

No Record of Profit

VoodooVox has incurred significant losses to date, and there can be no assurance that the future business activities of VoodooVox will be profitable. Since its organization, VoodooVox has incurred costs to develop and enhance its technology, to establish strategic relationships, to acquire complementary technologies and to build administrative support systems. VoodooVox has incurred negative operational cash flow to date. VoodooVox incurred losses from operations of \$2.5 million for the quarter ended March 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. VoodooVox'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 VoodooVox 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 affect on VoodooVox's business, results of operations and financial condition.

Developing Market

VoodooVox is engaged in the development and marketing of solutions and services that are relatively new and, as such, the primary market for VoodooVox'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 VoodooVox 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 VoodooVox's business, results and financial condition.

Third Party Technology

In providing its solutions and services, VoodooVox is, and will continue to be, dependent on technologies and infrastructure that are beyond VoodooVox's control, including landline and cellular telephone networks, directory databases and speech recognition and text-to-speech applications. There can be no assurance that if weaknesses or errors in third party software or hardware are detected, VoodooVox will be able to correct or compensate for such weaknesses or errors. If VoodooVox 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, VoodooVox'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 VoodooVox. If VoodooVox is unable to obtain third party technology on acceptable terms, VoodooVox'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 VoodooVox to adapt to such change may have an adverse affect on VoodooVox's business, results of operations and financial condition. The effect of new developments and technological changes on the business sector in which VoodooVox 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 data analytics in advertising, consumer backlash resulting from the collection and use of demographic intelligence, clients' ability to execute and industry consolidation. VoodooVox's failure to adapt to any of the above could have a material adverse effect on VoodooVox's business, results of operations and financial condition.

Competition

VoodooVox is subject to competition from other organizations (many of which have substantially greater human and financial resources) and there can be no assurance that VoodooVox 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, call analytics and ad network arrangements. The inability of VoodooVox to preserve existing customers and secure additional customers due to competitive technologies will have a material adverse effect on VoodooVox'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 VoodooVox.

Need for Research and Development

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

Patents and Other Intellectual Property

While VoodooVox 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 VoodooVox. Any patents covering elements of the VoodooVox technology granted to third parties (or the inability of VoodooVox to successfully challenge such patents) may impair VoodooVox'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.

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

VoodooVox 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 VoodooVox may incur substantial costs as a result. Any claims or litigation initiated by VoodooVox to protect its intellectual property could result in significant expense to VoodooVox and diversion of the efforts of VoodooVox's technical and management resources, whether or not the claims or litigation are determined in favor of VoodooVox.

Ability to Manage Growth

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

Personnel Resources

VoodooVox 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 VoodooVox 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

VoodooVox 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 VoodooVox'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 VoodooVox's business, results of operations and financial condition.

Risk of Industry Consolidation

VoodooVox'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, VoodooVox 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 VoodooVox's business, results of operations and financial conditions.

Government Regulation

The marketplace within which VoodooVox operates is in constant flux in relation to government regulation. Areas being regulated include regulation relating to call handling, privacy, 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 VoodooVox's business, results of operations and financial condition.

Costs Associated with Compliance with Securities Laws

VoodooVox 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 VoodooVox's business, results of operations and financial condition. If VoodooVox is unable to generate significant revenues from business operations, the cost of complying with applicable regulatory requirements will represent a significant financial burden to VoodooVox and may have a material adverse effect on VoodooVox's business, results of operations and financial condition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's unaudited interim condensed consolidated financial statements as at and for the quarter ended March 31, 2012 were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), under International Account Standard ("IAS") 34, Interim Financial Reporting. Please refer to Note 2 of the Company's first quarter 2012 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.

CONTROLS AND PROCEDURES

As required by National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim filings*, the Company's Chief Executive Officer and Chief Financial Officer have made certain certifications related to the Company's interim and annual filings (as defined by NI 52-109), which have been filed with certain securities regulators in Canada.

Evaluation of Disclosure Controls and Procedures

Under NI 52-109, the Chief Executive Officer and the Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to provide reasonable assurance that: 1) material information relating to the Company is made known to them by others, particularly during the period in which annual filings are being prepared; and 2) information required to be

disclosed by the Company in its filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Chief Executive Officer and the Chief Financial Officer of the Company are satisfied with the effectiveness of the Company's disclosure controls and procedures and have not identified any material weaknesses relating to the design of its disclosure controls and procedures.

Management's Report on Internal Control over Financial Reporting

As part of the NI 52-109 certifications, the Chief Executive Officer and Chief Financial Officer of the Company must certify that they are responsible for establishing and maintaining internal controls over financial reporting ("**ICFR**") and have designed such controls (or caused them to be designed under their supervision) in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer are satisfied with the effectiveness of the Company's internal controls over financial reporting and have not identified any material weaknesses relating to the design of such internal controls. Consistent with the Company's stage of development, the Company continues to rely on risk mitigating procedures during its financial close processes in order to provide comfort that the financial statements are presented fairly in accordance with IFRS.

While the Chief Executive Officer and the Chief Financial Officer are satisfied with the effectiveness of the Company's internal controls over financial reporting, additional improvements could be undertaken to address: 1) further segregation of accounting duties; 2) further investment in technical accounting knowledge with respect to non-routine transactions and projects; and 3) further investment in accounting systems software.

In particular, the Company records complex and non-routine transactions. These transactions can be extremely technical in nature and require an in-depth understanding of IFRS. To address this risk, the Company consults with third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. At this time, the Company is not considering any expansion of the technical expertise within its accounting group and will continue to work closely with its third party advisors.

The Company continues to direct available resources to assessing and improving the overall control environment and governance processes within the Company, but has not made any additional material changes to its system of internal controls over financial reporting.

Changes in Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer have determined that there were no changes in the Company's ICFR that occurred during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

The design of any system of internal controls and procedures is based in part upon various assumptions about the likelihood of certain events. There can be no assurance that any design

will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

31. APPENDIX F: 2012 Q2 MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") for VoodooVox Inc. (formerly Call Genie Inc.) ("**VV**", "**VoodooVox**" or the "**Company**") should be read in conjunction with VV's unaudited condensed interim consolidated financial statements, and the accompanying notes, as at and for the three and six month period ended June 30, 2012, which have been filed with certain securities regulatory authorities in Canada and may be accessed through the SEDAR website at www.sedar.com (under VoodooVox'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, Call Genie (Ontario) Inc., VoodooVox USA Holdings, Inc. (formerly Call Genie (USA), Inc.), BTS Logic Europe ApS, Call Genie Europe B.V., and VoodooVox Limited (formerly PhoneSpots Limited). VV's quarterly 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 August 14, 2012 and the information in this MD&A is current to August 13, 2012, unless otherwise noted. 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.

In January 2012, the Company changed its name from "Call Genie Inc." to "VoodooVox Inc.", following the acquisition of a private Delaware corporation (engaged in the business of providing mobile advertising and data analytics) also named "VoodooVox, Inc." In the MD&A, that private Delaware corporation is referred to as "Old VoodooVox". In October 2011, the Company acquired the assets of UpSNAP Services LLC, which is referred to in this MD&A as "UpSnap".

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, including the Company's Annual Information Form, are available through the Company's website at www.voodooovox.com or through the SEDAR website at www.sedar.com (under VoodooVox'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" herein. **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. VoodooVox's forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statement.

EXECUTIVE SUMMARY

VoodooVox is engaged in the business of providing mobile advertising solutions to advertisers and publishers. Its technology, tools and services help publishers to generate their advertising revenues, acquire users and gain insight into their users. The Company offers advertisers significant audience reach, sophisticated targeting capabilities and the ability to deliver rich and engaging ad experiences to consumers on their mobile connected devices.

The Company's loss for the six months ended June 30, 2012 was \$4.3 million (or \$0.02 per share) compared to a loss of \$2.0 million (or \$0.02 per share) for the same period in 2011. Revenues for the six months ended June 30, 2012 totaled \$2.3 million compared to \$3.2 million for the same period in 2011. The decrease in revenues is primarily attributable to the Company's focus on acquisition integration and the transition from its former solution based business model to its cloud-based mobile advertising platform. The Company's operating loss for the six months ended June 30, 2012 was \$3.4 million compared to a loss of \$0.7 for the same period in 2011. Additional labour and network and data costs resulting from the acquisition of UpSnap in Q4 2011 and Old VoodooVox in Q1 2012 contributed to the increased loss. For the six months ended June 30, 2012 (as compared to 2011), labour costs increased by \$1.1 million as the average number of employees was 45 compared to 35. The increase in the average number of employees is primarily attributable to new staff members who joined the Company following the UpSnap and Old VoodooVox acquisitions.

The Company's loss for the quarter ended June 30, 2012 was \$1.8 million (or \$0.01 per share) compared to a loss of \$0.3 million (or \$0.00 per share) reported for Q2 2011. Revenues for the quarter ended June 30, 2012 totaled \$1.3 million compared to \$2.1 million for Q2 2011. The decrease in revenues is primarily attributable to the Company's need to focus on acquisition integration and the transition from its former solution based business model to its cloud-based mobile advertising platform. For the quarter ended June 30, 2012 (as compared to 2011), labour costs increased by \$0.4 million due primarily to the addition of staff from recent acquisitions. It is to be noted that network and publisher costs also increased by an aggregate of \$0.3 million. The Company's business plan contemplates payments to publishers for mobile advertising.

As at June 30, 2012, the Company had a cash balance of \$0.1 million and a working capital deficit of \$7.0 million that included \$5.0 million of debentures that are scheduled to mature prior to June 30, 2013. Cash flow used in operations was \$1.7 million for the six months ended June 30, 2012, compared to \$1.5 million used in operations in 2011.

On June 28, 2012, the Company raised \$0.8 million from the distribution of a non-brokered unit offering. Each unit, in denominations of one thousand dollars, consisted of a non-convertible debenture with a principal value of \$918.33 and 3,000 common shares of the Company valued at \$81.67. The non-convertible debentures, distributed for gross aggregate proceeds of \$0.75 million, bear interest at a rate of 17.5% per annum, payable quarterly, maturing on June 27, 2014. Proceeds from this financing were used for working capital purposes.

On August 13, 2012, the Company raised \$1.8 million from the distribution of a brokered unit offering. Each unit, in denominations of one thousand dollars, consisted of a non-convertible debenture with a principal value of \$1,000.00 and 3,000 common share warrants to acquire 3,000

common shares of the Company at an exercise price of \$0.02 per Common Share. The non-convertible debentures bear interest at a rate of 12.0% per annum, payable quarterly, maturing on August 13, 2015.

The Company's future operations remain dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer relationships; or 3) secure new customer relationships that provide the Company with adequate funds to cover expenditures projected for the balance of 2012 (or a combination of the foregoing). In recent years, the Corporation has relied upon external debt financing to provide it with the working capital required to support ongoing operations.

The following table sets out selected financial and share information of the Company as at June 30 for the years indicated:

KEY FINANCIAL METRICS in 000's (except share amounts)	6 months ended June 30, 2012	6 months ended June 30, 2011	6 months ended June 30, 2010
Cash and cash equivalents	\$ 139	\$ 1,829	\$ 404
Deferred revenue	\$ 337	\$ 1,735	\$ 4,171
Revenue	\$ 2,324	\$ 3,190	\$ 1,875
Operating loss	\$ (3,379)	\$ (730)	\$ (2,642)
Net loss	\$ (4,252)	\$ (2,002)	\$ (6,049)
Loss per share – basic and fully diluted	\$ (0.02)	\$ (0.02)	\$ (0.07)
Common Shares outstanding			
- Basic	187,953,184	90,173,575	84,627,874
- Fully diluted	258,442,388	161,461,048	116,751,830

BUSINESS STRATEGY

Our Goal and Strategy

VoodooVox is engaged in the business of providing mobile advertising solutions to advertisers and publishers. Its technology, tools and services help publishers to generate their advertising revenues, acquire users and gain insight into their users. The Company offers advertisers significant audience reach, sophisticated targeting capabilities and the ability to deliver rich and engaging ad experiences to consumers on their mobile connected devices.

VoodooVox's business strategy is based on developing and expanding its own network of publishers and advertisers as well as establishing commercial relationships with third party organizations that have direct consumer and advertising relationships. Those third party entities can be wireless carriers, directory assistance providers or other companies that have significant wireless or wireline customer bases. The third party organizations that have advertising relationships can be search engine companies, yellow page publishers or media companies that have developed significant advertising publications in traditional or online media. In addition, the VoodooVox network is supplemented by direct arrangements with both advertisers and publishers. The Company has access to both national and local advertisers. The Company is focused on leveraging its proprietary technology and caller analytics to provide highly targeted advertisements to mobile consumers.

Strategic Priorities and Progress

The following table sets out information concerning various strategic priorities established for the Company and the progress made by the Company to date in achieving those priorities.

Strategic Priority	Current Status
Growth from acquisitions	<ul style="list-style-type: none"> Identified several target companies with complementary products, solutions, and customer base. Completed purchase of assets of UpSnap in the fourth quarter of 2011. Completed the purchase of assets of Old VoodooVox in the first quarter of 2012.
Deliver solutions	<ul style="list-style-type: none"> Solutions deployed in 11 countries; principally in Canada, the United States and Europe. The sales and account management function is focused on defining solutions rather than selling technology.
Increase revenue through mobile advertising network	<ul style="list-style-type: none"> Acquired mobile advertising assets of UpSnap and Old VoodooVox. Established new relationships with publishers and advertisers.
Leverage analytics capabilities by applying to Mobile Advertising platform	<ul style="list-style-type: none"> Integrated operations of UpSnap and Old VoodooVox including cross training of all sales and business development staff. Begun applying data analytics to existing ad network opportunities.
Secure additional financing	<ul style="list-style-type: none"> Completed \$1.9 million in financing in the first six months of 2012 and \$1.8 million in financing in the third quarter of 2012. Continuing to explore and pursue other potential strategic and financing alternatives.

KEY PERFORMANCE DRIVERS

There are three key drivers that management currently monitors to gauge performance and the Company's ability to execute its business plan. Those drivers are summarized below:

1) Revenues from Mobile Advertising Opportunities:

The Company has expanded its mobile advertising products with the acquisition of the assets of UpSnap and Old VoodooVox. These acquisitions include access to new sources of advertising placement opportunities as well as new advertisers.

2) Revenues from Data Analytics:

A key part of the assets acquired from Old VoodooVox is the Company's data analytics technology. The technology provides real-time demographic information on phone calls and mobile ad traffic. Working with their own proprietary information and data provided by third party aggregators, companies can apply the data analytics to gain valuable insight into their call volume and mobile game/application activity.

3) Revenues from Traditional Search and Voice Based Solutions:

The Company has identified several business development opportunities for the sale of its traditional voice based solutions and workstation software. The Company has entered into agreements that are implementation fee and transaction oriented or based on fixed up-front license fees with ongoing maintenance.

CAPABILITY TO DELIVER

Leadership

Execution of the Company's business plan is, to a significant degree, dependent on the capabilities of its senior management. Executive leadership is a key component of the planning, organizing and delivery necessary to achieve success. The Company has an executive management team with over 72 combined years of industry specific experience in the technology field. The executive team is led by Michael Durance, the Company's Chief Executive Officer. Mr. Durance has over 30 years of experience and has been with VV since June 1, 2005.

The Company has assembled an experienced executive team that includes Chet Chan, Chief Operating Officer (formerly, General Manager North America (hired in June 2007 with 26 years of experience)), Tony Phillip, Senior Vice President of Mobile Advertising (hired in October 2011 in the UpSnap acquisition with 23 years of experience) and Chris Shelton, Chief Financial Officer (hired in March 2006 with over 25 years of experience). Further information about the executive team and the Board of Directors is available on the Company's website at www.voodoovox.com.

Financing

On June 30, 2012, the Company had a cash balance of \$0.1 million. Notwithstanding completion of a \$1.8 million debenture financing on August 13, 2012, the Company's future operations remain dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer relationships; or 3) secure new customer relationships that provide the Company with adequate funds to cover expenditures projected for the balance of 2012 (or a combination of the foregoing). If the Company does not generate sufficient funds from existing or new customer relationships and it 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. **In recent years, the Corporation has relied upon external debt financing to provide it with the working capital required to support ongoing operations.**

Productive Capacity

The Company's business model is premised on its ability to generate recurring revenues without a proportional increase in expenses for staff salaries and benefits. To that end, the Company builds its application software using a product model rather than building individual customized solutions. Management of VV believes that the Company has adequate human resources to deliver all projects currently scheduled.

RESULTS OF OPERATIONS

Overall

The Company's loss for the six months ended June 30, 2012 was \$4.3 million (or \$0.02 per share) compared to a loss of \$2.0 million (or \$0.02 per share) for the same period in 2011. Revenues for the six months ended June 30, 2012 totaled \$2.3 million compared to \$3.2 million for the same period in 2011. The decrease in revenues is primarily attributable to the Company's focus on acquisition integration and the transition from its former solution based business model to its cloud-based mobile advertising platform. The Company's operating loss for the six months ended June 30, 2012 was \$3.4 million compared to a loss of \$0.7 for the same period in 2011. Additional labour and network and data costs resulting from the acquisition of UpSnap in Q4 2011 and Old VoodooVox in Q1 2012 contributed to the increased loss. For the six months ended June 30, 2012 (as compared to 2011), labour costs increased by \$1.1 million as the average number of employees was 45 compared to 35. The increase in the average number of employees is primarily attributable to new staff members who joined the Company following the UpSnap and Old VoodooVox acquisitions.

Revenues

Revenues for the six months ended June 30, 2012 totaled \$2.3 million compared to \$3.2 million for the same period in 2011. Revenues for the three months ended June 30, 2012 totaled \$1.3 million compared to \$2.1 million in 2011. Revenues decreased \$0.8 million in North America. In Europe and the rest of the world revenues were unchanged. The following table sets out additional information concerning revenue by product line for the periods indicated.

In 000's	6 months ended June 30, 2012	6 months ended June 30, 2011	Variance	% change
Mobile Advertising	1,555	247	1,308	530%
Voice and Workstation solutions	769	2,943	(2,174)	(74%)
Total	2,324	3,190	(866)	(27%)

In 000's	3 months ended June 30, 2012	3 months ended June 30, 2011	Variance	% change
Mobile Advertising	943	137	806	588%
Voice and Workstation solutions	380	1,963	(1,963)	(90%)
Total	1,323	3,100	(777)	(37%)

The overall decrease in revenues is primarily attributable to the Company's need to focus on acquisition integration activities and its continuing shift to a new business model. Early in the third quarter of 2011, the Company initiated a transition to a new service and business model under which the Company generates usage revenues through its cloud-based SaaS platform. There can be no assurance that the terms of any new arrangements under the SaaS platform will be as favorable as the terms of prior arrangements or will result in similar levels of revenues for the Company.

Deferred revenue at June 30, 2012 was \$0.3 million, compared to \$1.7 million at June 30, 2011. 100% of the deferred revenue reported at June 30, 2012 has been recorded as a current liability in accordance with IFRS.

Operating Costs

Expenses for the six months ended June 30, 2012 (as compared to 2011) increased to \$5.7 million from \$3.9 million. Expenses for the three months ended June 30, 2012 increased to \$2.7 million from \$1.9 million in 2011. The increase was primarily due to higher staff levels resulting from the acquisition of UpSnap in Q4 2011 and Old VoodooVox in Q1 2012 as well as increased network and publisher costs related to the SaaS platform.

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 traffic (places to insert advertisements) from publishers. This includes network, data and operating charges required to support revenue generating services. Network and publisher costs for the six months ended June 30, 2012 totaled \$0.6 million compared to \$0.1 million for the same period in 2011. The increase was primarily attributable to an increase in transaction volumes due to the acquisitions of UpSnap and Old VoodooVox. Network and publisher costs for the three months ended June 30, 2012 was \$0.3 million compared to \$0.1 million for Q2 2011.

Labour Costs

Labour costs consist of employee salaries, employee benefits, amounts paid to consultants and stock option compensation expense. For the six months ended June 30, 2012, labour costs were \$3.3 million compared to \$2.2 million for the same period in 2011. The increase was primarily due to additional staff resulting from the acquisitions of UpSnap and Old VoodooVox. The average number of employees for the six months ended June 30, 2012 was 45 compared to 35 in 2011. Labour costs for the three months ended June 30, 2012 was \$1.5 million compared to \$1.1 million for Q2 2011 due to more staff – 45 compares to 35.

Other Operating Costs

Other operating costs consist primarily of facility costs, professional services, telephone expenses, travel, and costs associated with operating as a public issuer. Other operating costs for the six months ended June 30, 2012 totaled \$1.2 million compared to \$1.1 million for the same period in 2011. Other operating costs for the three months ended June 30, 2012 was \$0.6 million compared to \$0.6 million for Q2 2011.

Amortization

Amortization expense for the six months ended June 30, 2012 was \$0.6 million, compared to \$0.5 million in 2011. A decrease in the Company's amortization on property and equipment was offset by an increase in amortization on intellectual property resulting from the acquisitions of UpSnap and Old VoodooVox.

Operating Loss

The Company's operating loss for the six months ended June 30, 2012 was \$3.4 million compared to a loss of \$0.7 million for the same period in 2011. The Company's operating loss was \$1.4 million for the three months ended June 30, 2012, compared to an income of \$0.2 million in 2011. The increased loss is attributable to decreased revenues and additional labour, network and publisher costs resulting from the acquisitions of UpSnap and Old VoodooVox.

Interest and Accretion Expense

Interest and accretion expense for the six months ended June 30, 2012 was \$1.0 million compared to \$1.5 million for the same period in 2011. In the fourth quarter of 2011, the shareholders and directors of the Company approved an incentive program in an effort to encourage holders of outstanding debentures to convert outstanding principal and interest into Common Shares. The incentive program resulted in a \$6.7 million reduction in the principal amount of outstanding debentures and accrued but unpaid interest. The decrease in interest and accretion expense is due to this reduction in the amount of principal and interest payable under outstanding debentures.

Net Loss

The Company's loss for the six months ended June 30, 2012 was \$4.3 million (or \$0.02 per share) compared to a loss of \$2.0 million (or \$0.02 per share) for the same period in 2011. The Company's loss for the three months ended June, 2012 was \$1.8 million (or \$0.01 per share) compared to a loss of \$0.3 million (or \$0.00 per share) in 2011. The increase in net loss is principally attributable to the decrease in revenues and increased expenses resulting primarily from the UpSnap and Old VoodooVox acquisitions.

SUMMARY OF QUARTERLY RESULTS

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

Unaudited (000's, except per share amounts)	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Revenue	\$1,273	\$1,058	\$1,090	\$2,100	\$2,009	\$1,004	\$1,001	\$1,323
Expenses								
Network and Data Costs	146	67	45	59	53	155	300	320
Labour Costs	1,187	1,231	1,143	1,059	1,090	1,135	1,779	1,468
Other Operating Costs	522	549	548	567	527	616	595	633
Impairment of intangible asset	-	-	-	-	-	-	-	-
Amortization	310	281	261	238	231	241	305	303
Gain on settlement of rights obligation	-	(447)	-	-	-	-	-	-
	2,165	1,681	1,997	1,923	1,901	2,147	2,979	2,724
Operating Loss	(892)	(623)	(907)	177	108	(1,143)	(1,978)	(1,401)
Other income/(expense)								
Interest income (expense)	(405)	(591)	(798)	(732)	(754)	(803)	(480)	(493)
Gain on sale of investment	-	-	-	-	-	-	-	100
Loss from debt conversion incentive program	-	-	-	-	-	(8,565)	-	-
Income tax (expense)	-	-	8	249	(1)	3	-	-
Net loss for the period	(1,297)	(1,214)	(1,697)	(306)	(647)	(10,508)	(2,458)	(1,794)
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.00)	\$(0.01)	\$(0.11)	\$(0.01)	\$(0.01)

FINANCIAL CONDITION

The following table sets out selected information concerning the Company's financial position as at the dates indicated.

Selected data on financial position in 000's	June 30, 2012	December 31, 2011
Cash and cash equivalents	\$ 139	\$ 382
Working capital	\$ (7,001)	\$ (5,498)
Total assets	\$ 7,582	\$ 6,500
Total long-term liabilities	\$ 3,543	\$ 3,456
Total liabilities	\$ 12,308	\$ 10,135
Shareholders' equity	\$ (4,726)	\$ (3,635)

Cash and Cash Equivalents

At June 30, 2012, the Company's cash and cash equivalents amounted to approximately \$0.1 million compared with \$0.4 million at December 31, 2011.

Assets

VV's total asset base as at June 30, 2012 was \$7.6 million, a \$1.1 million increase from \$6.5 million at December 31, 2011. Long-term assets, consisting primarily of capital assets, goodwill, and intangibles, increased from \$5.3 million at December 31, 2011 to \$5.8 million as at June 30, 2012. The increase was primarily the result of the purchase of the assets of Old VoodooVox. Current assets as at June 30, 2012, which consisted primarily of cash and accounts receivables, increased \$0.6 million as compared to December 31, 2011. The increase was principally attributable to the acquisition of additional receivables previously owing to Old VoodooVox, offset by a small decrease in cash.

Working Capital

Working capital represents the Company's current assets less its current liabilities. At June 30, 2012, the Company had a working capital deficit of \$7.0 million compared to a working capital deficit of \$5.5 million at December 31, 2011. Included in the working capital deficit is \$5.0 million of debentures that are scheduled to mature prior to June 30, 2013. The \$1.5 million increase in the working capital deficit was primarily due to an increase in the current portion of outstanding debentures.

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 losses totaling \$83.4 million since the Company commenced operations in 2000. As of June 30, 2012, the Company had a working capital deficit of \$7.0 million and a cash balance of \$0.1 million.

The Company's ability to continue operations remain dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer relationships; or 3) secure new customer relationships that provide the Company with adequate funds to cover expenditures projected for the balance of 2012 (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. In recent years, the Corporation has relied upon external debt financing to provide it with the working capital required to support ongoing operations.

OUTSTANDING SHARE DATA

VV's outstanding share capital consists of Common Shares. The Company is authorized to issue an unlimited number of Common Shares. At June 30, 2012, 187,953,184 Common Shares were outstanding compared to 151,836,882 Common Shares outstanding at December 31, 2011. The increase was due to the issuance of 11,250,000 Common Shares to Old VoodooVox, the issuance of 698,529 Common Shares under the Company's employee share purchase plan, and the issuance of 24,167,773 Common Shares in connection with the conversion of debentures.

As at June 30, 2012, the Company had 21,162,500 (12,735,000 at December 31, 2011) stock options outstanding with a weighted average exercise price of \$0.11 and 11,675,000 (12,288,523 at December 31, 2011) share purchase warrants outstanding with an average exercise price of \$0.12. Under various tranches of convertible debentures distributed by the Company, holders are entitled to convert the outstanding principal amount of their debentures and accrued interest into Common Shares at a conversion prices ranging from \$0.50 to \$0.10 per share, subject to anti-dilution adjustments. If the aggregate principal amount of the debentures distributed in 2009 and still outstanding at June 30, 2012 were to be fully converted, at the \$0.50 conversion price, an additional 5,110,000 Common Shares would be issued. If the aggregate principal amount of the debentures distributed in 2010 and still outstanding at June 30, 2012 were to be fully converted, at the \$0.10 conversion price, an additional 11,700,000 Common Shares would be issued. If the aggregate principal amount of the debentures distributed in 2011 were to be fully converted, at the \$0.25 conversion price, an additional 10,720,000 Common Shares would be issued. In addition, if the broker warrants distributed in connection with the convertible debenture financings concluded in 2010 and 2011 were fully exercised, an additional 3,647,000 Common Shares would be issued and outstanding. Accordingly, the number of issued and issuable shares on a fully diluted basis was 258,442,388 at June 30, 2012 compared to 217,387,405 at December 31, 2011. Further information on VV's outstanding share capital is provided in Note 9 to the

Company's unaudited interim condensed consolidated financial statements for the quarter ended June 30, 2012.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

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

Contractual Obligations as at June 30, 2012	Payments Due by Period in 000's				
	Total	2012	2013	2014	After 3 years
Long Term Debt	\$ 4,271	-	\$ 875	\$ 716	\$ 2,680
Interest on Debt Instruments	\$ 1,331	\$ 459	\$ 391	\$ 322	\$ 159
Operating Leases	\$ 857	\$ 438	\$ 376	\$ 43	-
Other Short Term Debt Obligations	\$ 3,429	\$ 3,429	-	-	-
Total Contractual Obligations	\$ 9,888	\$ 4,326	\$ 1,642	\$ 1,081	\$ 2,839

The Company did not have any "off-balance sheet" arrangements as of June 30, 2012. The Company did not have any commitments for capital expenditures as of June 30, 2012 nor any financing sources arranged, but not yet used.

RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2012, the Company recorded \$0.1 million (\$0.1 million for the same period in 2011) of general and administrative expenses for transactions with entities controlled or influenced by the Company's officers or directors, which transactions were entered into in the normal course of operations. During the six months ended June 30, 2012, these directors and officers received \$0.1 million of interest in accordance with the terms of the debentures previously distributed to them (\$0.1 million on 2011).

As part of the June 2012 financing, the Chairman of the Board purchased 65 units, each unit with a denomination of one thousand dollars, and committed to purchase an additional 135 units.

During the six months ended June 30, 2012, the Company completed \$1.9 million debt financing. Performance by the Company of its obligations under the applicable debentures is secured, in part, by personal assets owned by the Chairman of the Board. A committee of independent Board members determined that it would be appropriate for the Company to provide compensation to the Chairman of the Board for the provision of this additional security and formulated recommendations in that regard for further consideration by the full Board of Directors. The Board of Directors approved the transfer of 218,333 common shares of a private company that VoodooVox had received in the fourth quarter of 2011 to the Chairman of the Board as partial compensation.

During the second quarter, the Company received 750,000 shares of a private company as settlement for an outstanding receivable. The Chairman of the Board has significant ownership in this private company and provided assistance with the settlement process.

OUTLOOK

In January 2012, the Company initiated the rebranding of the Company as "VoodooVox - Smarter Mobile Advertising". The amount of revenue generated from the Smarter Mobile Advertising platform will depend, to a significant degree, on the Company's ability to source relevant traffic and ads that prompt consumers to act in a manner that generates a measurable sales lead to a merchant. Mobile Advertising arrangements with customers are determined based on the number and type of leads generated. In addition, the Company's analytics solutions acquired from Old VoodooVox generate revenues based on the number of month subscribers licensed to use this solution. Due to the nature of performance based revenues, variability of potential results, and the uncertainty of consumer adoption, the Company is not providing at this time any financial guidance for future periods.

BUSINESS RISKS AND UNCERTAINTIES

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

Maintaining Public Listing

In July 2012, the Company received a letter from the TSX indicating it was reviewing the Company's ability to meet the requirements for continuous listing. A review is scheduled for September 10, 2012 and a decision will be made by the TSX on September 12, 2012. If the Company cannot demonstrate that it will meet the continuous listing requirements, the Company will be delisted from the TSX on October 12, 2012. The Company may be eligible for listing on the TSXV or the NEX however no assurances can be provided that the Company will secure an alternative listing. The inability to maintain a Public listing may have a material adverse affect on VoodooVox's business, ability to raise financing, results of operations, and financial condition.

Substantial Capital Requirements; Liquidity; Going Concern

Because of the costs associated with further development of VoodooVox's technology and business, and the fact that VoodooVox's ability to generate revenue will depend on a variety of factors (including the ability of VoodooVox to meet its development schedule and consumer and merchant acceptance of VoodooVox technologies), additional funds are required to support VoodooVox's business. VoodooVox has accumulated a substantial deficit and currently has a significant working capital deficiency. 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 VoodooVox) or may result in significant dilution to VoodooVox shareholders or significant interest obligations. The inability to obtain additional funds in the short term will have a material adverse affect on VoodooVox's business, results of operations, and financial condition and could result in the Company ceasing operations.

No Record of Profit

VoodooVox has incurred significant losses to date, and there can be no assurance that the future business activities of VoodooVox will be profitable. Since its organization, VoodooVox has incurred costs to develop and enhance its technology, to establish strategic relationships, to acquire complementary technologies and to build administrative support systems. VoodooVox has incurred negative operational cash flow to date. VoodooVox incurred losses from operations of \$4.2 million for the six months ended June 30, 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. VoodooVox'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 VoodooVox 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 affect on VoodooVox's business, results of operations and financial condition.

Developing Market

VoodooVox is engaged in the development and marketing of solutions and services that are relatively new and, as such, the primary market for VoodooVox'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 VoodooVox 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 VoodooVox's business, results and financial condition.

Third Party Technology

In providing its solutions and services, VoodooVox is, and will continue to be, dependent on technologies and infrastructure that are beyond VoodooVox's control, including landline and cellular telephone networks, directory databases and speech recognition and text-to-speech applications. There can be no assurance that if weaknesses or errors in third party software or hardware are detected, VoodooVox will be able to correct or compensate for such weaknesses or

errors. If VoodooVox 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, VoodooVox'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 VoodooVox. If VoodooVox is unable to obtain third party technology on acceptable terms, VoodooVox'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 VoodooVox to adapt to such change may have an adverse affect on VoodooVox's business, results of operations and financial condition. The effect of new developments and technological changes on the business sector in which VoodooVox 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 data analytics in advertising, consumer backlash resulting from the collection and use of demographic intelligence, clients' ability to execute and industry consolidation. VoodooVox's failure to adapt to any of the above could have a material adverse effect on VoodooVox's business, results of operations and financial condition.

Competition

VoodooVox is subject to competition from other organizations (many of which have substantially greater human and financial resources) and there can be no assurance that VoodooVox 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, call analytics and ad network arrangements. The inability of VoodooVox to preserve existing customers and secure additional customers due to competitive technologies will have a material adverse effect on VoodooVox'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 VoodooVox.

Need for Research and Development

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

have a material adverse effect on VoodooVox'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 VoodooVox 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 VoodooVox. The consequences of such errors and failures could have a material adverse effect on VoodooVox's businesses, results of operations and financial condition.

Patents and Other Intellectual Property

While VoodooVox 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 VoodooVox. Any patents covering elements of the VoodooVox technology granted to third parties (or the inability of VoodooVox to successfully challenge such patents) may impair VoodooVox'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.

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

VoodooVox 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 VoodooVox may incur substantial costs as a result. Any claims or litigation initiated by VoodooVox to protect its intellectual property could result in significant expense to VoodooVox and diversion of the efforts of VoodooVox's technical and management resources, whether or not the claims or litigation are determined in favor of VoodooVox.

Ability to Manage Growth

Responding to consumer and merchant demands, expansion into other geographical markets and targeted growth in VoodooVox's business has placed, and is likely to continue to place, significant strains on VoodooVox's administrative and operational resources and increased demands on its management, internal systems, procedures and controls. If VoodooVox

experiences rapid acceptance of its solutions and services, the need to manage such growth will add to the demands on VoodooVox's management, resources, systems, procedures and controls. There can be no assurance that VoodooVox's administrative infrastructure, systems, procedures and controls will be adequate to support VoodooVox's operations or that VoodooVox's officers and personnel will be able to manage any significant expansion of operations. If VoodooVox is unable to manage growth effectively, VoodooVox's business, operating results and financial condition will be materially adversely affected.

Personnel Resources

VoodooVox 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 VoodooVox 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

VoodooVox 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 VoodooVox'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 VoodooVox's business, results of operations and financial condition.

Risk of Industry Consolidation

VoodooVox'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, VoodooVox 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 VoodooVox's business, results of operations and financial conditions.

Government Regulation

The marketplace within which VoodooVox operates is in constant flux in relation to government regulation. Areas being regulated include regulation relating to call handling, privacy, 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 VoodooVox's business, results of operations and financial condition.

Costs Associated with Compliance with Securities Laws

VoodooVox 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 VoodooVox's business, results of operations and financial condition. If VoodooVox is unable to generate significant revenues from business operations, the cost of complying with applicable regulatory requirements will represent a significant financial burden to VoodooVox and may have a material adverse effect on VoodooVox's business, results of operations and financial condition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's unaudited interim condensed consolidated financial statements as at and for the quarter ended June 30, 2012 were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), under International Account Standard ("IAS") 34, Interim Financial Reporting. Please refer to Note 2 of the Company's first quarter 2012 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.

CONTROLS AND PROCEDURES

As required by National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim filings*, the Company's Chief Executive Officer and Chief Financial Officer have made certain certifications related to the Company's interim and annual filings (as defined by NI 52-109), which have been filed with certain securities regulators in Canada.

Evaluation of Disclosure Controls and Procedures

Under NI 52-109, the Chief Executive Officer and the Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to provide reasonable assurance that: 1) material information relating to the Company is made known to them by others, particularly during the period in which annual filings are being prepared; and 2) information required to be disclosed by the Company in its filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Chief Executive Officer and the Chief Financial Officer of the Company are satisfied with the effectiveness of the Company's disclosure controls and

procedures and have not identified any material weaknesses relating to the design of its disclosure controls and procedures.

Management's Report on Internal Control over Financial Reporting

As part of the NI 52-109 certifications, the Chief Executive Officer and Chief Financial Officer of the Company must certify that they are responsible for establishing and maintaining internal controls over financial reporting ("**ICFR**") and have designed such controls (or caused them to be designed under their supervision) in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer are satisfied with the effectiveness of the Company's internal controls over financial reporting and have not identified any material weaknesses relating to the design of such internal controls. Consistent with the Company's stage of development, the Company continues to rely on risk mitigating procedures during its financial close processes in order to provide comfort that the financial statements are presented fairly in accordance with IFRS.

While the Chief Executive Officer and the Chief Financial Officer are satisfied with the effectiveness of the Company's internal controls over financial reporting, additional improvements could be undertaken to address: 1) further segregation of accounting duties; 2) further investment in technical accounting knowledge with respect to non-routine transactions and projects; and 3) further investment in accounting systems software.

In particular, the Company records complex and non-routine transactions. These transactions can be extremely technical in nature and require an in-depth understanding of IFRS. To address this risk, the Company consults with third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. At this time, the Company is not considering any expansion of the technical expertise within its accounting group and will continue to work closely with its third party advisors.

The Company continues to direct available resources to assessing and improving the overall control environment and governance processes within the Company, but has not made any additional material changes to its system of internal controls over financial reporting.

Changes in Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer have determined that there were no changes in the Company's ICFR that occurred during the quarter ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

The design of any system of internal controls and procedures is based in part upon various assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

32. APPENDIX G: 2012 Q3 MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") for VoodooVox Inc. (formerly Call Genie Inc.) ("**VV**", "**VoodooVox**" or the "**Company**") should be read in conjunction with VV's unaudited condensed interim consolidated financial statements, and the accompanying notes, as at and for the three and nine month periods ended September 30, 2012, which have been filed with certain securities regulatory authorities in Canada and may be accessed through the SEDAR website at www.sedar.com (under VoodooVox'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, Call Genie (Ontario) Inc., VoodooVox USA Holdings, Inc. (formerly Call Genie (USA), Inc.), BTS Logic Europe ApS, Call Genie Europe B.V., and VoodooVox Limited (formerly PhoneSpots Limited). VV's quarterly 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 November 14, 2012 and the information in this MD&A is current to November 13, 2012, unless otherwise noted. 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.

In January 2012, the Company changed its name from "Call Genie Inc." to "VoodooVox Inc.", following the acquisition of a private Delaware corporation (engaged in the business of providing mobile advertising and data analytics) also named "VoodooVox, Inc." In the MD&A, that private Delaware corporation is referred to as "Old VoodooVox". In October 2011, the Company acquired the assets of UpSNAP Services LLC, which is referred to in this MD&A as "UpSnap".

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, including the Company's Annual Information Form, are available through the Company's website at www.voodoovox.com or through the SEDAR website at www.sedar.com (under VoodooVox'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. VoodooVox's forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statement.

EXECUTIVE SUMMARY

VoodooVox is engaged in the business of providing mobile advertising solutions to advertisers and publishers. Its technology, tools and services help publishers to generate advertising revenues, acquire users and gain insight into their users. The Company offers advertisers significant audience reach, sophisticated targeting capabilities and the ability to deliver rich and engaging ad experiences to consumers on their mobile connected devices.

The Company's loss for the nine months ended September 30, 2012 was \$6.4 million (or \$0.03 per share) compared to a loss of \$2.6 million (or \$0.03 per share) for the same period in 2011. Revenues for the nine months ended September 30, 2012 totaled \$3.2 million compared to \$5.2 million for the same period in 2011. The decrease in revenues is primarily attributable to the Company's focus on acquisition integration and the transition from its former solution based business model to its cloud-based mobile advertising platform. The Company's operating loss for the nine months ended September 30, 2012 was \$5.2 million compared to a loss of \$0.6 million for the same period in 2011. Additional labour and network and data costs resulting from the acquisition of UpSnap in Q4 2011 and Old VoodooVox in Q1 2012 contributed to the increased loss. For the nine months ended September 30, 2012 (as compared to the same period in 2011), labour costs increased by \$1.1 million as the average number of employees was 45 compared to 34. The increase in the average number of employees is primarily attributable to new staff members who joined the Company following the UpSnap and Old VoodooVox acquisitions.

The Company's loss for the quarter ended September 30, 2012 was \$2.2 million (or \$0.01 per share) compared to a loss of \$0.6 million (or \$0.01 per share) reported for Q3 2011. Revenues for the quarter ended September 30, 2012 totaled \$0.9 million compared to \$2.0 million for Q3 2011. The decrease in revenues is primarily attributable to the Company's need to focus on acquisition integration and the transition from its former solution based business model to its cloud-based mobile advertising platform. For the quarter ended September 30, 2012 (as compared to the same period in 2011), labour costs were unchanged as the Company eliminated redundant positions that arose following the acquisitions of UpSnap and Old VoodooVox. Subsequent to quarter end, the Company continued its efforts to increase efficiency by further integrating the acquired companies resulting in the elimination of various hosted facilities and locations as well as the consolidation of 15 positions. Network and publisher costs increased by an aggregate of \$0.8 million as compared the same period in 2011. The Company's mobile advertising platform requires payments to publishers for mobile advertising.

During the third quarter of 2012 the Company implemented a debt deferral program and reached agreements with its debenture holders to defer principal and interest payments on \$5.1 million aggregate principal amount of debentures. The Company reduced its working capital deficit to \$1.2 million at September 30, 2012, including only \$0.3 million of debentures that are scheduled to mature prior to September 30, 2013.

As at September 30, 2012, the Company had a cash balance of \$0.4 million. Cash flow used in operations was \$3.1 million for the nine months ended September 30, 2012, as compared to \$2.3 million used in operations during the corresponding period in 2011.

On August 13, 2012, the Company raised \$1.8 million from a brokered unit offering. On September 19, 2012, the Company raised an additional \$1.0 million from a second brokered offering. Each unit, in denominations of \$1,000, consisted of a non-convertible debenture (\$1,000 principal amount) and 3,000 Common Share purchase warrants. Each Common Share purchase warrant entitles the holder to acquire one Common Share at an exercise price of \$0.02 per share. The Common Share purchase warrants distributed on August 13, 2012 are scheduled to expire on August 13, 2015 and the Common Share purchase warrants distributed on September 19, 2012 are scheduled to expire on September 19, 2015. The non-convertible debentures bear interest at a rate of 12.0% per annum, payable quarterly. The non-convertible debentures distributed on August 13, 2012 are scheduled to mature on August 13, 2015 and the non-convertible debentures distributed on September 19, 2012 are scheduled to mature on September 19, 2015.

The Company's future operations remain 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 expenditures projected for the balance of 2012 and 2013 (or a combination of the foregoing). In recent years, the Corporation has relied upon external debt financing to provide it with the working capital required to support ongoing operations.

VoodooVox Inc.
Q3 2012 MD&A

The following table sets out selected financial and share information of the Company as at September 30, 2012, 2011 and 2010 and for the periods indicated:

KEY FINANCIAL METRICS in 000's (except share amounts)	9 months ended September 30, 2012	9 months ended September 30, 2011	9 months ended September 30, 2010
Cash and cash equivalents	\$ 431	\$ 504	\$ 467
Deferred revenue	\$ 182	\$ 398	\$ 3,453
Revenue	\$ 3,213	\$ 5,199	\$ 3,148
Operating loss	\$ (5,203)	\$ (622)	\$ (6,332)
Net loss	\$ (6,433)	\$ (2,649)	\$ (7,350)
Loss per share – basic and fully diluted	\$ (0.03)	\$ (0.03)	\$ (0.09)
Common Shares outstanding			
- Basic	186,847,127	90,644,917	85,515,731
- Fully diluted	264,673,014	162,163,640	136,887,304

BUSINESS STRATEGY

Our Goal and Strategy

VoodooVox is engaged in the business of providing mobile advertising solutions to advertisers and publishers. Its technology, tools and services help publishers to generate advertising revenues, acquire users and gain insight into their users. The Company offers advertisers significant audience reach, sophisticated targeting capabilities and the ability to deliver rich and engaging ad experiences to consumers on their mobile connected devices.

VoodooVox's business strategy is based on developing and expanding its own network of publishers and advertisers as well as establishing commercial relationships with third party organizations that have direct consumer and advertising relationships. Those third party entities can be wireless carriers, directory assistance providers or other companies that have significant wireless or wireline customer bases. The third party organizations that have advertising relationships can be search engine companies, yellow page publishers or media companies that have developed significant advertising publications in traditional or online media. In addition, the VoodooVox network is supplemented by direct arrangements with both advertisers and publishers. The Company has access to both national and local advertisers. The Company is focused on leveraging its proprietary technology and caller analytics to provide highly targeted advertisements to mobile consumers.

Strategic Priorities and Progress

The following table sets out information concerning various strategic priorities established for the Company and the progress made by the Company to date in achieving those priorities.

Strategic Priority	Current Status
Growth from acquisitions	<ul style="list-style-type: none"> Identified several target companies with complementary products, solutions, and customer base. Completed purchase of assets of UpSnap in the fourth quarter of 2011. Completed the purchase of assets of Old VoodooVox in the first quarter of 2012.
Deliver solutions	<ul style="list-style-type: none"> Solutions deployed in 11 countries; principally in Canada, the United States and Europe. The sales and account management function is focused on defining solutions rather than selling technology.
Increase revenue through mobile advertising network	<ul style="list-style-type: none"> Acquired mobile advertising assets of UpSnap and Old VoodooVox. Established new relationships with publishers and advertisers.
Leverage analytics capabilities by applying to Mobile Advertising platform	<ul style="list-style-type: none"> Integrated operations of UpSnap and Old VoodooVox including cross training of all sales and business development staff. Applied data analytics to existing ad network opportunities.
Secure additional financing	<ul style="list-style-type: none"> Completed \$4.7 million in debt financing in the first nine months of 2012. Continuing to explore and pursue other potential strategic and financing alternatives.

KEY PERFORMANCE DRIVERS

There are three key drivers that management currently monitors to gauge performance and the Company's ability to execute its business plan. Those drivers are summarized below:

1) Revenues from Mobile Advertising Opportunities:

The Company has expanded its mobile advertising products with the acquisition of the assets of UpSnap and Old VoodooVox. These acquisitions include access to new sources of advertising placement opportunities as well as new advertisers.

2) Revenues from Data Analytics:

One of the key assets acquired from Old VoodooVox is the Company's data analytics technology. The technology provides real-time demographic information on phone calls and mobile ad traffic. Working with their own proprietary information and data provided by third party aggregators, companies can apply the data analytics to gain valuable insight into their call volume and mobile game/application activity.

3) Revenues from Traditional Search and Voice Based Solutions:

The Company has identified several business development opportunities for the sale of its traditional voice based solutions and workstation software. The Company has entered into agreements that are implementation fee and transaction oriented or based on fixed up-front license fees with ongoing maintenance.

CAPABILITY TO DELIVER

Leadership

Execution of the Company's business plan is, to a significant degree, dependent on the capabilities of its senior management. Executive leadership is a key component of the planning, organizing and delivery necessary to achieve success. The Company has an executive management team with over 90 combined years of industry specific experience in the technology field. The executive team is led by Michael Durance, the Company's Chief Executive Officer. Mr. Durance has over 30 years of experience and has been with VoodooVox since June, 2005.

Organizational changes implemented at the end of Q3, 2012 were designed around the continued consolidation and integration of the Company's acquisitions of UpSnap and Old VoodooVox. They included the appointment of Alex Pekurar, previously the Company's Controller, as Chief Financial Officer, replacing Chris Shelton who departed, and the assumption by Gene Cohen of overall Operations and Tony Philipp of overall Sales responsibility, from Chet Chan, formerly Chief Operating Officer, who also departed.

Alex Pekurar was originally hired in January, 2011 as Controller and has 12 years of experience; Gene Cohen, Senior Vice President of Operations, was originally hired in January, 2012 in connection with the Old VoodooVox acquisition and has 25 years of experience; and Tony Philipp, Senior Vice President of Mobile Advertising, was hired in October, 2011 in connection with the UpSnap acquisition and has 23 years of experience.

Micky Tsui has been appointed Chairman of the Board, filling the Chairman role vacated due to the resignation of Richard DeVries, former director and the previous Chairman.

Further information about the executive team and the Board of Directors is available on the Company's website at www.voodooovox.com.

Financing

On September 30, 2012, the Company had a cash balance of \$0.4 million. The Company's future operations remain 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 expenditures projected for the balance of 2012 and 2013 (or a combination of the foregoing). If the Company does not generate sufficient funds from existing or new customer relationships and it 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. **In recent years, the Corporation has relied upon external debt financing to provide it with the working capital required to support ongoing operations.**

Productive Capacity

The Company's business model is premised on its ability to generate recurring revenues without a proportional increase in expenses for staff salaries and benefits. To that end, the Company builds its application software using a product model rather than building individual customized solutions. Management of VoodooVox believes that the Company has adequate human resources to deliver all projects currently scheduled.

RESULTS OF OPERATIONS

Overall

The Company's loss for the nine months ended September 30, 2012 was \$6.4 million (or \$0.03 per share) compared to a loss of \$2.6 million (or \$0.03 per share) for the same period in 2011. Revenues for the nine months ended September 30, 2012 totaled \$3.2 million compared to \$5.2 million for the same period in 2011. The decrease in revenues is primarily attributable to the Company's focus on acquisition integration and the transition from its former solution based business model to its cloud-based mobile advertising platform. The Company's operating loss for the nine months ended September 30, 2012 was \$5.2 million compared to a loss of \$0.6 million for the same period in 2011. Additional labour and network and data costs resulting from the acquisition of UpSnap in Q4 2011 and Old VoodooVox in Q1 2012 contributed to the increased loss. For the nine months ended September 30, 2012 (as compared to the same period in 2011), labour costs increased by \$1.1 million as the average number of employees was 45 compared to 34. The increase in the average number of employees is primarily attributable to new staff members who joined the Company in connection with the UpSnap and Old VoodooVox acquisitions.

The Company's loss for the quarter ended September 30, 2012 was \$2.2 million (or \$0.01 per share) compared to a loss of \$0.6 million (or \$0.01 per share) reported for Q3 2011. Revenues for the quarter ended September 30, 2012 totaled \$0.9 million compared to \$2.0 million for Q3 2011. The decrease in revenues is primarily attributable to the Company's need to focus on acquisition integration and the transition from its former solution based business model to its cloud-based mobile advertising platform. The Company's operating loss was \$1.8 million for the three months ended September 30, 2012, compared to an income of \$0.1 million for the same period in 2011. The increased loss is attributable to decreased revenues and additional labour, as well as network and publisher costs resulting from the acquisitions of UpSnap and Old VoodooVox. For the quarter ended September 30, 2012 (as compared to the same period in 2011), labour costs were unchanged as the Company eliminated redundant positions that arose following the acquisitions of UpSnap and Old VoodooVox.

Subsequent to quarter end, the Company continued its efforts to increase efficiency by further integrating the acquired companies resulting in the elimination of various hosted facilities and locations as well as the consolidation of 15 positions.

Revenues

Revenues for the nine months ended September 30, 2012 totaled \$3.2 million compared to \$5.2 million for the same period in 2011. Revenues for the three months ended September 30, 2012 totaled \$0.9 million compared to \$2.0 million for the same period in 2011. Revenues decreased \$0.8 million in North America. In Europe and the rest of the world revenues were unchanged. The following table sets out additional information concerning revenue by product line for the periods indicated.

In 000's	9 months ended September 30, 2012	9 months ended September 30, 2011	Variance	% change
Mobile Advertising	2,195	670	1,525	228%
Voice and Workstation solutions	1,018	4,529	(3,511)	(78%)
Total	3,213	5,199	(1,986)	(38%)

In 000's	3 months ended September 30, 2012	3 months ended September 30, 2011	Variance	% change
Mobile Advertising	641	423	218	52%
Voice and Workstation solutions	248	1,586	(1,337)	(84%)
Total	889	2,009	(1,119)	(56%)

The overall decrease in revenues is primarily attributable to the Company's need to focus on acquisition integration activities and its continuing shift to a new business model. In the third quarter of 2011, the Company initiated a transition to a new service and business model under which the Company generates usage revenues through its cloud-based SaaS platform. There can be no assurance that the terms of any new arrangements under the SaaS platform will be as favorable as the terms of prior arrangements or will result in similar levels of revenues for the Company.

Deferred revenue at September 30, 2012 was \$0.2 million, compared to \$0.3 million at September 30, 2011. All of the deferred revenue reported at September 30, 2012 has been recorded as a current liability in accordance with IFRS.

Operating Costs

Expenses for the nine months ended September 30, 2012 (as compared to the same period in 2011) increased to \$8.4 million from \$5.8 million. Expenses for the three months ended September 30, 2012 increased to \$2.7 million from \$1.9 million for the same period in 2011. The increase was primarily due to higher staff levels resulting from the acquisition of UpSnap in Q4 2011 and Old VoodooVox in Q1 2012 as well as increased network and publisher costs related to the SaaS platform.

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 traffic (places to insert advertisements) from publishers. This includes network, data and operating charges required to support revenue generating services. Network and publisher costs for the nine months ended September 30, 2012 totaled \$0.9 million compared to \$0.2 million for the same period in 2011. The increase was primarily attributable to an increase in transaction volumes due to the acquisitions of UpSnap and Old VoodooVox. Network and publisher costs for the three months ended September 30, 2012 totaled \$0.3 million compared to \$0.1 million for Q3 2011.

Labour Costs

Labour costs consist of employee salaries, employee benefits, amounts paid to consultants and stock option compensation expense. For the nine months ended September 30, 2012, labour costs were \$4.4 million compared to \$3.3 million for the same period in 2011. The increase was primarily due to additional staff resulting from the acquisitions of UpSnap and Old VoodooVox. The average number of employees for the nine months ended September 30, 2012 was 45 compared to 34 in 2011. Labour costs for the three months ended September 30, 2012 totaled \$1.1 million, unchanged from the prior year.

Other Operating Costs

Other operating costs consist primarily of facility costs, professional services, telephone expenses, travel, and costs associated with operating as a public issuer. Other operating costs for the nine months ended September 30, 2012 totaled \$2.2 million compared to \$1.6 million for the same period in 2011. Other operating costs for the three months ended September 30, 2012 was \$1.0 million compared to \$0.5 million for Q3 2011. The increase was primarily due to due diligence fees related to potential acquisitions and financings as well as payments related to the acquisition of Old VoodooVox.

Amortization

Amortization expense for the nine months ended September 30, 2012 was \$0.9 million, compared to \$0.7 million for the same period in 2011. Amortization expense for the three months ended September 30, 2012 was \$0.3 million compared to \$0.2 million for Q3 2011. A decrease in the Company's amortization on property and equipment was offset by an increase in amortization on intellectual property resulting from the acquisitions of UpSnap and Old VoodooVox.

Operating Loss

The Company's operating loss for the nine months ended September 30, 2012 was \$5.2 million compared to a loss of \$0.6 million for the same period in 2011. The Company's operating loss was \$1.8 million for the three months ended September 30, 2012, compared to an income of \$0.1 million for the same period in 2011. The increased loss is attributable to decreased revenues and additional labour, as well as network and publisher costs resulting from the acquisitions of UpSnap and Old VoodooVox.

Interest and Accretion Expense

Interest and accretion expense for the nine months ended September 30, 2012 was \$1.5 million compared to \$2.3 million for the same period in 2011. In the fourth quarter of 2011, the shareholders and directors of the Company approved an incentive program in an effort to encourage holders of outstanding debentures to convert outstanding principal and interest into Common Shares. The incentive program resulted in a \$6.7 million reduction in the principal amount of outstanding debentures and accrued but unpaid interest. The decrease in interest and accretion expense is due to this reduction in the amount of principal and interest payable under outstanding debentures.

Net Loss

The Company's loss for the nine months ended September 30, 2012 was \$6.4 million (or \$0.03 per share) compared to a loss of \$2.6 million (or \$0.03 per share) for the same period in 2011. The Company's loss for the three months ended June, 2012 was \$2.2 million (or \$0.01 per share) compared to a loss of \$0.6 million (or \$0.01 per share) for the same period in 2011. The increase in net loss is principally attributable to the decrease in revenues and increased expenses resulting primarily from the UpSnap and Old VoodooVox acquisitions.

SUMMARY OF QUARTERLY RESULTS

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

Unaudited (000's, except per share amounts)	Q4 2010	Q1 2011	Q3 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Revenue	\$1,058	\$1,090	\$2,100	\$2,009	\$1,004	\$1,001	\$1,323	\$889
Expenses								
Network and Data Costs	67	45	59	53	155	300	320	308
Labour Costs	1,231	1,143	1,059	1,090	1,135	1,779	1,468	1,106
Other Operating Costs	549	548	567	527	616	595	633	1,006
Amortization	281	261	238	231	241	305	303	293
Gain on settlement of rights obligation	(447)	-	-	-	-	-	-	-
	1,681	1,997	1,923	1,901	2,147	2,979	2,724	2,713
Operating Loss	(623)	(907)	177	108	(1,143)	(1,978)	(1,401)	(1,824)
Other income/(expense)								
Interest income (expense)	(591)	(798)	(732)	(754)	(803)	(480)	(493)	(518)
Gain (loss) on sale of investment	-	-	-	-	-	-	100	(75)
Loss from debt conversion incentive program	-	-	-	-	(8,565)	-	-	-
Income tax (expense)	-	8	249	(1)	3	-	-	236
Net loss for the period	(1,214)	(1,697)	(306)	(647)	(10,508)	(2,458)	(1,794)	(2,181)
Basic and diluted loss per share	\$(0.01)	\$(0.02)	\$(0.00)	\$(0.01)	\$(0.11)	\$(0.01)	\$(0.01)	\$(0.01)

FINANCIAL CONDITION

The following table sets out selected information concerning the Company's financial position as at the dates indicated.

Selected data on financial position in 000's	September 30, 2012	December 31, 2011
Cash and cash equivalents	\$ 431	\$ 382
Working capital	\$ (1,235)	\$ (5,498)
Total assets	\$ 7,519	\$ 6,500
Total long-term liabilities	\$ 10,811	\$ 3,456
Total liabilities	\$ 14,048	\$ 10,135
Shareholders' equity	\$ (6,525)	\$ (3,635)

Cash and Cash Equivalents

At September 30, 2012, the Company's cash and cash equivalents amounted to approximately \$0.4 million compared with \$0.4 million at December 31, 2011.

Assets

VV's total asset base as at September 30, 2012 was \$7.5 million, a \$1.0 million increase from \$6.5 million at December 31, 2011. Long-term assets, consisting primarily of capital assets, goodwill, and intangibles, increased from \$5.3 million at December 31, 2011 to \$5.5 million as at September 30, 2012. The increase was primarily the result of the purchase of the assets of Old VoodooVox. Current assets as at September 30, 2012, which consisted primarily of cash and accounts receivables, increased \$0.8 million as compared to December 31, 2011. The increase was principally attributable to the acquisition of additional receivables previously owing to Old VoodooVox.

Working Capital

Working capital represents the Company's current assets less its current liabilities. At September 30, 2012, the Company had a working capital deficit of \$1.2 million compared to a working capital deficit of \$5.5 million at December 31, 2011. Included in the working capital deficit is \$0.3 million of debentures that are scheduled to mature prior to September 30, 2013 (\$5.0 million at December 31, 2011). During the third quarter of 2012 the Company implemented a debt deferral program and reached agreements with holders of \$5.1 million aggregate principal amount of outstanding debentures to defer principal and interest payments on those debentures. The \$4.3 million improvement in the working capital deficit was primarily due to this debt deferral program.

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 losses totaling \$85.7 million since the Company commenced operations in 2000. As of September 30, 2012, the Company had a working capital deficit of \$1.2 million and a cash balance of \$0.4 million.

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 expenditures projected for the balance of 2012 and 2013 (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. In recent years, the Corporation has relied upon external debt financing to provide it with the working capital required to support ongoing operations.

OUTSTANDING SHARE DATA

VV's outstanding share capital consists of Common Shares. The Company is authorized to issue an unlimited number of Common Shares. At September 30, 2012, 196,722,514 Common Shares were outstanding compared to 151,836,882 Common Shares outstanding at December 31, 2011. The increase was due to the issuance of 11,250,000 Common Shares to Old VoodooVox, the issuance of 698,529 Common Shares under the Company's employee share purchase plan, the issuance of 24,167,773 Common Shares in connection with the conversion of debentures, the issuance of 6,364,330 Common Shares in connection with the issuance of new debentures, the issuance of 2,000,000 Common Shares under an advisory agreement and the issuance of 405,000 Common Shares for a debenture guarantee.

As at September 30, 2012, the Company had 24,337,500 (12,735,000 at December 31, 2011) stock options outstanding with a weighted average exercise price of \$0.08 and 20,636,000 (12,288,523 at December 31, 2011) share purchase warrants outstanding with an average exercise price of \$0.08. Under various tranches of convertible debentures distributed by the Company, holders are entitled to convert the outstanding principal amount of their debentures and accrued interest into Common Shares at a conversion prices ranging from \$0.50 to \$0.10 per share, subject to anti-dilution adjustments. If the aggregate principal amount of the debentures distributed in 2009 and still outstanding at September 30, 2012 were to be fully converted, at the \$0.50 conversion price, an additional 5,110,000 Common Shares would be issued. If the aggregate principal amount of the debentures distributed in 2010 and still outstanding at September 30, 2012 were to be fully converted, at the \$0.10 conversion price, an additional 3,500,000 Common Shares would be issued. If the aggregate principal amount of the debentures distributed in 2011 were to be fully converted, at the \$0.25 conversion price, an additional 10,720,000 Common Shares would be issued. In addition, if the broker warrants distributed in connection with the convertible debenture financings concluded in 2010 and 2011 were fully

exercised, an additional 3,647,000 Common Shares would be issued and outstanding. Accordingly, the number of issued and issuable shares on a fully diluted basis was 264,673,014 at September 30, 2012 compared to 217,387,405 at December 31, 2011. Further information on VV's outstanding share capital is provided in Note 9 to the Company's unaudited interim condensed consolidated financial statements for the quarter ended September 30, 2012.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

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

Contractual Obligations as at September 30, 2012	Payments Due by Period in 000's				
	Total	2012	2013	2014	After 3 years
Long Term Debt	\$ 11,280	-	\$ 300	\$ 4,018	\$ 6,962
Interest on Debt Instruments	\$ 3,731	\$ 185	\$ 896	\$ 1,852	\$ 798
Operating Leases	\$ 277	\$ 64	\$ 170	\$ 43	-
Other Obligations	\$ 3,234	\$ 2,686	\$ 548	-	-
Total Contractual Obligations	\$ 18,522	\$ 2,935	\$ 1,914	\$ 5,913	\$ 7,760

The Company did not have any "off-balance sheet" arrangements as of September 30, 2012. The Company did not have any commitments for capital expenditures as of September 30, 2012 nor any financing sources arranged, but not yet used.

RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2012, the Company recorded \$0.2 million (\$0.2 million for the same period in 2011) of general and administrative expenses for transactions with entities controlled or influenced by the Company's officers or directors, which transactions were entered into in the normal course of operations. During the nine months ended September 30, 2012, these directors and officers received \$0.1 million of interest in accordance with the terms of the debentures previously distributed to them (\$0.1 million for the same period in 2011).

As part of the March 1, 2012 financing, officers and directors of the Company purchased 95 debentures, each debenture with a denomination of \$1,000. As part of the June 2012 financing, a former director purchased 65 units, each unit with a denomination of \$1,000. As part of the September 19, 2012 private placement, one officer purchased 50 units, each unit with a denomination of \$1,000.

During the nine months ended September 30, 2012, the Company completed \$4.7 million in debt financings. Performance by the Company of its obligations under the applicable debentures is secured, in part, by personal assets owned by a former director. A committee of independent Board members determined that it would be appropriate for the Company to provide compensation to the director for the provision of this additional security and formulated recommendations in that regard for further consideration by the full Board of Directors. The Board of Directors approved the transfer of 218,333 common shares of a private company that

VoodooVox had received in the fourth quarter of 2011 and 405,000 Common Shares of VoodooVox to the director and has committed to provide an additional 1,595,000 Common Shares of VoodooVox.

During the second quarter, the Company received 750,000 shares of a private company as settlement for an outstanding receivable. A former director has significant ownership in this private company and provided assistance with the settlement process.

OUTLOOK

In January 2012, the Company initiated the rebranding of the Company as "VoodooVox - Smarter Mobile Advertising". The amount of revenue generated from the Smarter Mobile Advertising platform will depend, to a significant degree, on the Company's ability to source relevant traffic and ads that prompt consumers to act in a manner that generates a measurable sales lead to a merchant. Mobile Advertising arrangements with customers are determined based on the number and type of leads generated. In addition, the Company's analytics solutions acquired from Old VoodooVox generate revenues based on the number of monthly subscribers licensed to use this solution. Due to the nature of performance based revenues, variability of potential results, and the uncertainty of consumer adoption, the Company is not providing any financial guidance at this time with respect to future periods.

BUSINESS RISKS AND UNCERTAINTIES

The business of VV 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 VV's business, its current stage of development and the potential requirement for additional financing.

Maintaining Public Listing

In July 2012, the Company received a letter from the TSX indicating it was reviewing the Company's ability to meet the requirements for continuous listing. A review was held on September 10, 2012 and a decision was made by the TSX on September 12, 2012 to provide a 60 day extension to allow the Company further time to meet its continuous listing requirements. On November 12, 2012, the TSX determined to delist the Common Shares and Debentures of the Company as of December 12, 2012 for failure to meet the continued listing requirements of the TSX. The Company may be eligible for listing on the TSX Venture Exchange or the NEX; however no assurances can be provided that the Company will secure an alternative listing. The inability to maintain a public listing may have a material adverse affect on VoodooVox's business, ability to raise financing, results of operations and financial condition.

Substantial Capital Requirements; Liquidity; Going Concern

Because of the costs associated with further development of VoodooVox's technology and business, and the fact that VoodooVox's ability to generate revenue will depend on a variety of factors (including the ability of VoodooVox to meet its development schedule and consumer and merchant acceptance of VoodooVox technologies), additional funds are required to support VoodooVox's business. VoodooVox has accumulated a substantial deficit and currently has a significant working capital deficiency. 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 VoodooVox) or may result in significant dilution to VoodooVox shareholders or significant interest obligations. The inability to obtain additional funds in the short term will have a material adverse effect on VoodooVox's business, results of operations, and financial condition and could result in the Company ceasing operations.

No Record of Profit

VoodooVox has incurred significant losses to date, and there can be no assurance that the future business activities of VoodooVox will be profitable. Since its organization, VoodooVox has incurred costs to develop and enhance its technology, to establish strategic relationships, to acquire complementary technologies and to build administrative support systems. VoodooVox has incurred negative operational cash flow to date. VoodooVox incurred losses from operations of \$6.4 million for the nine months ended September 30, 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. VoodooVox'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 VoodooVox 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 affect on VoodooVox's business, results of operations and financial condition.

Developing Market

VoodooVox is engaged in the development and marketing of solutions and services that are relatively new and, as such, the primary market for VoodooVox'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 VoodooVox 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 VoodooVox's business, results and financial condition.

Third Party Technology

In providing its solutions and services, VoodooVox is, and will continue to be, dependent on technologies and infrastructure that are beyond VoodooVox's control, including landline and cellular telephone networks, directory databases and speech recognition and text-to-speech applications. There can be no assurance that if weaknesses or errors in third party software or hardware are detected, VoodooVox will be able to correct or compensate for such weaknesses or errors. If VoodooVox 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, VoodooVox'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 VoodooVox. If VoodooVox is unable to obtain third party technology on acceptable terms, VoodooVox'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 VoodooVox to adapt to such change may have an adverse affect on VoodooVox's business, results of operations and financial condition. The effect of new developments and technological changes on the business sector in which VoodooVox 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 data analytics in advertising, consumer backlash resulting from the collection and use of demographic intelligence, clients' ability to execute and industry consolidation. VoodooVox's failure to adapt to any of the above could have a material adverse effect on VoodooVox's business, results of operations and financial condition.

Competition

VoodooVox is subject to competition from other organizations (many of which have substantially greater human and financial resources) and there can be no assurance that VoodooVox 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, call analytics and ad network arrangements. The inability of VoodooVox to preserve existing customers and secure additional customers due to competitive technologies will have a material adverse effect on VoodooVox'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 VoodooVox.

Need for Research and Development

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

Patents and Other Intellectual Property

While VoodooVox 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 VoodooVox. Any patents covering elements of the VoodooVox technology granted to third parties (or the inability of VoodooVox to successfully challenge such patents) may impair VoodooVox'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.

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

VoodooVox 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 VoodooVox may incur substantial costs as a result. Any claims or litigation initiated by VoodooVox to protect its intellectual property could result in significant expense to VoodooVox and diversion of the efforts of VoodooVox's technical and management resources, whether or not the claims or litigation are determined in favor of VoodooVox.

Ability to Manage Growth

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

Personnel Resources

VoodooVox 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 VoodooVox 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

VoodooVox 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 VoodooVox'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 VoodooVox's business, results of operations and financial condition.

Risk of Industry Consolidation

VoodooVox'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, VoodooVox 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 VoodooVox's business, results of operations and financial conditions.

Government Regulation

The marketplace within which VoodooVox operates is in constant flux in relation to government regulation. Areas being regulated include regulation relating to call handling, privacy, 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 VoodooVox's business, results of operations and financial condition.

Costs Associated with Compliance with Securities Laws

VoodooVox 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 VoodooVox's business, results of operations and financial condition. If VoodooVox is unable to generate significant revenues from business operations, the cost of complying with applicable regulatory requirements will represent a significant financial burden to VoodooVox and may have a material adverse effect on VoodooVox's business, results of operations and financial condition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's unaudited interim condensed consolidated financial statements as at and for the quarter ended September 30, 2012 were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), under International Account Standard ("IAS") 34, Interim Financial Reporting. Please refer to Note 2 of the Company's first quarter 2012 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.

CONTROLS AND PROCEDURES

As required by National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim filings*, the Company's Chief Executive Officer and Chief Financial Officer have made certain certifications related to the Company's interim and annual filings (as defined by NI 52-109), which have been filed with certain securities regulators in Canada.

Evaluation of Disclosure Controls and Procedures

Under NI 52-109, the Chief Executive Officer and the Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to provide reasonable assurance that: 1) material information relating to the Company is made known to them by others, particularly during the period in which annual filings are being prepared; and 2) information required to be disclosed by the Company in its filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Chief Executive Officer and the Chief Financial Officer of the Company are satisfied with the effectiveness of the Company's disclosure controls and procedures and have not identified any material weaknesses relating to the design of its disclosure controls and procedures.

Management's Report on Internal Control over Financial Reporting

As part of the NI 52-109 certifications, the Chief Executive Officer and Chief Financial Officer of the Company must certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR") and have designed such controls (or caused them to be designed under their supervision) in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer are satisfied with the effectiveness of the Company's internal controls over financial reporting and have not identified any material weaknesses relating to the design of such internal controls. Consistent with the Company's stage of development, the Company continues to rely on risk mitigating procedures during its financial close processes in order to provide comfort that the financial statements are presented fairly in accordance with IFRS.

While the Chief Executive Officer and the Chief Financial Officer are satisfied with the effectiveness of the Company's internal controls over financial reporting, additional improvements could be undertaken to address: 1) further segregation of accounting duties; 2) further investment in technical accounting knowledge with respect to non-routine transactions and projects; and 3) further investment in accounting systems software.

In particular, the Company records complex and non-routine transactions. These transactions can be extremely technical in nature and require an in-depth understanding of IFRS. To address this risk, the Company consults with third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. At this time, the Company is not considering any expansion of the technical expertise within its accounting group and will continue to work closely with its third party advisors.

The Company continues to direct available resources to assessing and improving the overall control environment and governance processes within the Company, but has not made any additional material changes to its system of internal controls over financial reporting.

Changes in Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer have determined that there were no changes in the Company's ICFR that occurred during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

The design of any system of internal controls and procedures is based in part upon various assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

33. APPENDIX H: INVESTOR RELATIONS CONSULTING CONTRACT

INDEPENDENT CONTRACTOR AGREEMENT

This Independent Contractor Agreement ("Agreement") is made,

BETWEEN: **612890 B.C. Ltd.**, a corporation organized and existing under the laws of British Columbia, Canada, with its head office located at: Box 540, #101 – 1001 West Broadway, Vancouver, BC. (the "Independent Contractor")

AND: **VoodooVox Inc.** (the "Company"), a corporation organized and existing under the laws of the Alberta, with its office located at 2710 – 17th Avenue S.E., Suite 200, Calgary, AB.

RECITALS

Independent Contractor is engaged in providing Business Development services. Independent Contractor has complied with all Federal, Provincial, and local laws regarding business permits, sales permits, licenses, reporting requirements, tax withholding requirements, business insurance requirements, and other legal requirements of any kind that may be required to carry out said business and the Scope of Work (as hereinafter defined) which is to be performed as an Independent Contractor pursuant to this Agreement. Independent Contractor is or remains open to conducting similar tasks or activities for clients other than the Company and holds themselves out to the public to be a separate business entity.

Company desires to engage and contract for the services of the Independent Contractor to perform certain tasks as set forth below. Independent Contractor desires to enter into this Agreement and perform as an independent contractor for the company and is willing to do so on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the above recitals and the mutual promises and conditions contained in this Agreement, the Parties agree as follows:

1. TERM

This Agreement shall be effective commencing September 1, 2012 and shall continue until terminated at the completion of the Scope of Work, or earlier by either party as otherwise provided herein.

2. STATUS OF INDEPENDENT CONTRACTOR

This Agreement does not constitute a hiring by either party. It is the intention of the parties that Independent Contractor shall have an independent contractor status and not be an employee for any purposes. Independent Contractor shall retain sole and absolute discretion in the manner and means of carrying out their activities and responsibilities under this Agreement. This Agreement shall not be considered or construed to be a partnership or joint venture, and the Company shall not be liable for any obligations incurred by Independent Contractor unless specifically authorized in writing. Independent Contractor shall not act as an agent of the Company, ostensibly or otherwise, nor bind the Company in any manner, unless specifically authorized to do so in writing.

3. TASKS, DUTIES, AND SCOPE OF WORK

- a. It is acknowledged by the Company and agreed that the Independent Contractor may be providing consulting and independent contracting services to other entities during the Term of this Agreement. Independent Contractor agrees to devote as much time, attention, and energy as necessary to complete or achieve the tasks outline in Schedule A which shall be referred to in this Agreement as the "Scope of Work".
- b. Independent Contractor shall additionally perform any and all tasks and duties associated with the Scope of Work set forth in this agreement, including but not limited to, work being performed already or related change orders. Independent Contractor shall not be entitled to engage in any activities which are not expressly set forth by this Agreement.
- c. The books and records related to the Scope of Work set forth in this Agreement shall be maintained by the Independent Contractor at the Independent Contractor's principal place of business and open to inspection by Company during regular working hours. Documents to which Company will be entitled to inspect include, but are not limited to, any and all contract documents, change orders/purchase orders and work authorized by Independent Contractor or Company on existing or potential projects related to this Agreement.
- d. The Independent Contractor is responsible for all costs associated with the operation of the Independent Contractor's business, and is liable for all risk of loss or profit arising therefrom. Independent Contractor shall supply all necessary equipment, materials and supplies as may be required to complete the Scope of Work. If necessary to complete the Scope of Work, Company shall supply the necessary equipment, materials, supplies, and access to complete the Scope of Work if required. Independent Contractor will not rely on the equipment or offices of Company for completion of tasks and duties set forth pursuant to this Agreement.
- e. Independent Contractor shall be responsible to the management and directors of Company, but Independent Contractor will not be required to follow or establish a regular or daily work schedule other than what is set out in this agreement to complete the Scope of Work. Any advice given Independent Contractor regarding the scope of work shall be considered a suggestion only, not an instruction. Company retains the right to inspect, stop, or alter the work of Independent Contractor to assure its conformity with this Agreement.

4. COMPENSATION

- a. Stock Options:
 - i. Subject to approval by the Company's Board of Directors, Independent Contractor will be awarded 500,000 common stock options from the Company's approved standard stock option plan. The options, with a grant date of September 1, 2012, will vest immediately and have a 5 year expiry period. The stock option exercise price will be set based on the closing stock price on August 31, 2012.
 - ii. All stock options previously granted to Independent Contractor remain in effect.
- b. Cash based compensation as follows:
 - i. Independent Contractor shall also be reimbursed for reasonable expenses by Contractor's reporting manager and incurred in the course of the performance of his duties pursuant to this Agreement subject to a \$200 per month maximum. Furthermore, Company will reimburse for necessary pre-approved travel expenses, per the company policy and to be approved by Contractor's reporting manager, incurred in the course of the performance of his duties pursuant to this Agreement.

- c. Such compensation shall become due and payable to Independent Contractor in the following time, place, and manner:
 - Independent Contractor is to submit an itemized invoice on a monthly basis and shall be accompanied by such supporting data as the Company deems appropriate.

5. NOTICE CONCERNING WITHHOLDING OF TAXES

Independent Contractor recognizes and understands that it will not receive any year-end tax statement or related tax statements, but will be required to file corporate and/or individual tax returns and to pay taxes in accordance with all provisions of applicable Federal and Provincial law. Independent Contractor hereby promises and agrees to indemnify the Company for any damages or expenses, including reasonable attorney's fees, and legal expenses, incurred by the Company as a result of independent contractor's failure to make such required payments.

6. NON-ASSIGNABILITY

Neither this Agreement, nor any duties or obligations under this Agreement may be assigned by either party without the consent of the other.

7. TERMINATION

Either Party may terminate this agreement upon the issuing a written notice of 30 calendar days in advance. All fees earned up to date of termination will be paid in accordance with section 4 of this agreement.

8. INTELLECTUAL PROPERTY

Independent Contractor agrees to be bound by the terms of an Intellectual Property Agreement and will execute any necessary documents in that regard if required.

9. NON-DISCLOSURE OF TRADE SECRETS, CUSTOMER LISTS AND OTHER PROPRIETARY INFORMATION

- a. Independent Contractor agrees not to disclose or communicate, in any manner, either during or after Independent Contractor's agreement with Company, information about Company, its operations, clientele, or any other information, that relate to the business of Company including, but not limited to, the names of its customers, its marketing strategies, operations, or any other information of any kind which would be deemed confidential, a trade secret, a customer list, or other form of proprietary information of Company. Independent Contractor acknowledges that the above information is material and confidential and that it affects the profitability of Company.
- b. Independent Contractor understands that any breach of this provision is a material breach of this Agreement. To the extent Independent Contractor feels they need to disclose confidential information, they may do so only after obtaining written authorization from an officer of Company.

10. NON-SOLICITATION

Independent Contractor shall not, during the Agreement and for a period of four months immediately following termination of this Agreement, either directly or indirectly, call on, solicit, or take away, or attempt to call on, solicit, or take away, any of the customers or clients of the Company on whom Independent Contractor called or became acquainted with during the terms of this Agreement, either for their own benefit, or for the benefit of any other person, firm, corporation or organization.

11. NON-RECRUIT

Independent Contractor shall not, during this Agreement and for a period of one year immediately following termination of this agreement, either directly or indirectly, recruit any of Company's employees for the purpose of any outside business.

12. RETURN OF PROPERTY

On termination of this Agreement, or whenever requested by the parties, each party shall immediately deliver to the other party all property in its possession, or under its care and control, belonging to the other party to them, including but not limited to, proprietary information, customer lists, trade secrets, intellectual property, computers, equipment, tools, documents, plans, recordings, software, and all related records or accounting ledgers.

13. EXPENSE ACCOUNTS

Independent Contractor and the Company agree to maintain separate accounts in regards to all expenses related to performing the Scope of Work. Independent Contractor is solely responsible for payment of expenses incurred pursuant to this Agreement unless provided otherwise in writing by an officer or appropriate Vice President of the company. Independent Contractor agrees to execute and deliver any agreements and documents prepared by Company and to do all other lawful acts required to establish document and protect such rights.

14. WORKS FOR HIRE

Independent Contractor agrees that the Scope of Work, all tasks, duties, results, inventions and intellectual property developed or performed pursuant to this Agreement are considered "works for hire" and that the results of said work is by virtue of this Agreement assigned to the Company and shall be the sole property of Company for all purposes, including, but not limited to, copyright, trademark, service mark, patent, and trade secret laws.

15. LEGAL COMPLIANCE

Independent Contractor is encouraged to treat all company employees, customers, clients, business partners and other affiliates with respect and responsibility. Independent Contractor is required to comply with all laws, ethical codes and company policies, procedures, rules or regulations, including those forbidding sex harassment, discrimination, and unfair business practices, insofar as such laws, rules and policies are applicable to independent contractors.

16. LICENSING, WORKERS' COMPENSATION AND GENERAL LIABILITY INSURANCE

Independent Contractor agrees to immediately supply the Company with proof of any licensing status required to perform the Scope of Work pursuant to this Agreement, Workers' Compensation Coverage, where required by law, and General Liability Insurance upon request of the Company.

17. PERSONS HIRED BY INDEPENDENT CONTRACTOR

All persons hired by Independent Contractor to assist in performing the tasks and duties necessary to complete the Scope of Work shall be the employees or independent contractors of Independent Contractor unless specifically indicated otherwise in an agreement signed by all parties. Independent Contractor shall immediately provide proof of Workers' Compensation insurance and General Liability insurance covering said employees or contractors, upon request of the Company.

18. NOTICES

Any notice to be given hereunder by any party to the other may be effected either by personal delivery in writing, or by mail, registered or certified, postage pre-paid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses appearing in the introductory paragraphs of this Agreement, but each party may change their address by written notice in accordance with this paragraph. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of five (5) days after mailing. Independent Contractor agrees to keep Company current as to their business and mailing addresses, as well as telephone, facsimile, e-mail and pager numbers.

19. ATTORNEY'S FEES AND COSTS

If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements incurred both before or after judgment in addition to any other relief to which such party may be entitled.

20. MEDIATION AND ARBITRATION

Any controversy between the parties to this Agreement involving the construction or application of any of the terms, provisions, or conditions of this Agreement, shall on written request of either party served on the other, be submitted first to mediation and then if still unresolved to binding arbitration. Said mediation or binding arbitration shall comply with and be governed by the provisions of the appropriate laws of the Province of Ontario unless the Parties stipulate otherwise. The parties shall each appoint one person to hear and determine the dispute and, if they are unable to agree, then the two persons so chosen shall select a third impartial arbitrator whose decision shall be final and conclusive upon both parties. The attorneys fees and costs of arbitration shall be borne by the losing party, as set forth in paragraph 20, unless the Parties stipulate otherwise, or in such proportions as the arbitrator shall decide.

21. ACKNOWLEDGEMENT & UNDERSTANDING

Independent Contractor is expected to abide by all obligations that you owe to former employers/clients, and that Independent Contractor is prepared to acknowledge these matters and make representations to Company which you know it will rely upon in extending this agreement. Independent Contractor acknowledges, agrees, and represents to Company as follows:

- a) During your contract with Company you will not improperly use or disclose any trade secrets, and/or confidential and/or proprietary information of any former employer/client, or use any other materials or documents that are the property of any former employer/client and which you obtained while employed by that employer or engaged by a client, and Independent Contractor will not bring onto the premises of Company any such trade secrets, confidential or proprietary information, or other such information belonging to any former employer/client. Independent Contractor will only use in the performance of your duties with Company information which is generally known and used by persons with training and experience similar to Independent Contractor's, which is common knowledge in this industry, or otherwise legally in the public domain, or which has been provided or developed by Company.

- b) Independent Contractor does not have any agreements or contracts with prior employers/clients, or any restrictive covenant with prior employers/clients, which would prevent you from being retained by Company as an independent contractor or performing the Scope of Work.
- c) Independent Contractor understands that Company makes every attempt to conduct its business by means of fair and ethical business practices and Company relies on the strength of its products, services and employees/contractors to retain its customers and business. Independent Contractor understands that Company forbids you from using confidential or proprietary information gained from prior employment.

In accepting this contract with Company, Independent Contractor agrees to have read this acknowledgement and understanding, and can declare the above to be true. Independent Contractor understands that Company relies upon such representations contained in this acknowledgement, and if representations are untrue, that your contract will be terminated immediately, including terminated without notice or termination compensation, until such matters are resolved.

22. INDEMNIFICATION

Independent Contractor shall defend, indemnify, hold harmless, and insure Company from any and all damages expenses or liability resulting from or arising out of, any negligence or misconduct on Independent Contractor's part, or from any breach or default of this Agreement which is caused or occasioned by the acts of Independent Contractor. Independent Contractor shall insure that its employees and affiliates take all actions necessary to comply with the terms and conditions set forth in this Agreement. Independent Contractor shall name Company as an additional insured on all related insurance policies including workers compensation, and general liability.

23. CONTAINMENT OF ENTIRE AGREEMENT

This Agreement is an independent document and supersedes any and all other Agreements, either oral or in writing, between the parties hereto, except any Confidentiality or Intellectual Property. This Agreement contains all of the covenants and Agreements between the parties, except for those set forth in any Confidentiality or Intellectual Property Agreement.

24. REPRESENTATION

Each party of this Agreement acknowledges that no representations, inducements, promises or agreements, orally or otherwise, have been made by any party hereto, or anyone acting on behalf of any party hereto, which are not embodied herein, and that no other agreement, statement or promise not contained in this Agreement shall be valid or binding. Any modification of this Agreement shall be effective only if it is in writing, signed and dated by all parties hereto.

25. PARTIAL INVALIDITY

If any provision of this Agreement is held by a Court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way.

26. GOVERNING LAW

This Agreement shall be governed by, and construed under, the laws of the Province of Alberta.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

612890 B.C. Ltd.

VOODOOVOX INC.

Per:

Per:

Authorized Signature

Authorized Signature

Print Name and Title

Print Name and Title

SCHEDULE A

1. TITLE – VP CORPORATE DEVELOPMENT

2. SCOPE OF WORK

- Advise on capital markets.
- Interface with investors, potential and existing.
- Liase with investment bankers and research analysts.
- Develop and execute an investor relations plan to grow the investor base in terms of volume.
- Have effective and efficient IR campaigns created and executed.
- Participate as required in various executives and management meetings/committees and in some cases, present appropriate topics and/or lead various discussions.
- Provide regular updates to the CEO on market activities, including the core activities leading to the results attained as well as recommendations for further optimization of the results.
- Travel as required throughout North America to meet investors and/or funding partners.
- Ensure all corporate policies and guidelines are followed in the execution of the above responsibilities.
- Participate in weekly calls and participate in executive management calls.
- Other relevant tasks or projects as required.

3. SCHEDULE

- Work will begin on September 1, 2012. Independent Contractor agrees to provide an average of 19 days of work per month.

4. PROVIDED BY INDEPENDENT CONTRACTOR

- A. Home office as required.
- B. Telecommunication services and equipment.

5. PROVIDED BY COMPANY

- A. Laptop with basic MS Office software
- B. Software tools if required.
- C. VPN access or onsite computer if required.
- D. Web-based access to the corporate Exchange Server if required.
- E. Web-based access to the corporate wiki/intranet if required.