MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") for VoodooVox Inc. ("**VoodooVox**" or the "**Company**") should be read in conjunction with the Company's audited consolidated financial statements, and the accompanying notes, as at and for the year ended December 31, 2013, 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., BTS Logic Europe ApS, Call Genie Europe B.V., and VoodooVox Limited. The Company's audited consolidated financial statements, including the notes thereto, and the financial information presented in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are stated in Canadian currency unless otherwise indicated. This MD&A is dated April 17, 2014 and the information in this MD&A is current to April 17, 2014, 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.

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

OVERVIEW

VoodooVox is a leader in mobile advertising processing billions of transactions for a marquee list of global clients, agencies, advertisers and publishers. The Company's full service mobile ad network and campaign management platform drive targeted consumer sales leads to national and local advertisers on a pay for performance basis. VoodooVox also provides platform services in call analytics, call tracking, and hyper local campaign targeting to a growing list of mobile ecosystem partners.

The Company's mobile advertising model is based on establishing long-term relationships with advertisers either directly or indirectly through advertising agencies and other media companies. VoodooVox enters into 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 ("**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 ("**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 analytics technology, which provides relevant demographic information about consumers who use the publishers' service. Increased knowledge and predictability regarding consumer behavior generally translates into higher CPM rates and higher yield on CPA revenue sources.

In addition to its mobile advertising services, VoodooVox provides mobile platform products consisting of software and services to allow customers such as telephone carriers to run their own mobile advertising exchanges. VoodooVox also provides voice and data search solutions consisting of software and services that allow customers to perform voice and data searches on proprietary business directories. VoodooVox expects that its legacy voice and data search solutions and mobile platform products will continue to generate software license and maintenance fees, hosting fees and consulting fees.

OVERALL PERFORMANCE

2013 was an eventful year highlighted by 30% year over year growth in mobile advertising revenue, a capital restructuring that resulted in significant reductions in the Company's liabilities and subsequently a strategic investment by a leading U.S. media company. The Company successfully launched its VoodooVox Local product during the fourth quarter resulting in significant growth in its mobile advertising revenue from local merchants and began to expand its sales team and to broaden its product offerings.

VoodooVox operates in one segment, advertising software and services. Revenues for the year ended December 31, 2013, totaled $3.5 million compared to $4.0 million in 2012. Mobile advertising revenue grew to $2.3 million for the year ended December 31, 2013, compared to $1.7 million in 2012. The growth in mobile advertising was offset by a decrease in the Company's legacy voice and data search solutions and its mobile platform products.

The working capital required to pay publishers and hire additional sales staff proved to be a significant obstacle to revenue growth during the year. In recent years the Company relied on external debt financing to provide it with the working capital required to support ongoing operations. The large debt balance and associated carrying costs made it challenging to attract new investment. In April 2013, the Company embarked on a transformational financing that included the conversion of more than 95% of the Company's outstanding debentures into Common Shares. In June 2013, the Company's shareholders approved the proposed financing and in July 2013, the Company reached agreements with debenture holders to convert approximately 96% of issued and outstanding debentures into Common Shares. In September 2013, VoodooVox completed the transformational financing by raising gross proceeds of $1.6 million in an equity private placement. Along with other agreements with creditors to convert or reduce outstanding payable amounts the Company achieved a reduction in its liabilities of $15.0 million.

In February 2014, VoodooVox completed a second equity private placement financing for gross proceeds of $4.9 million. The financing included a strategic investment by User Friendly Media ("**UFM**"), a private media company and portfolio company of Veronis Suhler Stevenson, consisting of approximately 40% of VoodooVox's issued and outstanding Common Shares. VoodooVox believes that this transaction with UFM will align the Company with one of the foremost media companies in the United States and will enable management to execute its strategy in expanding the Company's mobile advertising network.

On completion of the financing, Bruce Howard, CEO of UFM, David Lambert, CFO of UFM, and Walter Andri joined VoodooVox's Board. In March 2014, the Company's Board appointed Bruce Howard to succeed George Cooney as CEO. VoodooVox expects that the significant increase in capital from its recent financings will allow it to expand its mobile sales team and broaden its revenue streams, which include subscription and performance-based models to improve the Company's revenue and cash flow predictability.

The amount of revenue generated from the Company's mobile advertising services will depend, to a significant degree, on the Company's ability to source relevant Ad Traffic and ads that prompt consumers to act in a manner that generates a measurable sales lead to a merchant. Mobile advertising arrangements with advertisers are unique and revenue is determined based on the number and type of leads generated. It is difficult to project the number of phone calls or click-throughs which will be delivered to advertisers and how much advertisers will spend, and it is even more difficult to anticipate the average revenue per phone call or click-through. VoodooVox expects its quarterly results will continue to vary, from quarter to quarter and year to year, sometimes significantly.

Operating costs for the year ended December 31, 2013, totaled $6.9 million compared to $11.2 million in 2012. The decrease was primarily due to a reduction in labour and facility costs resulting from the Company's restructuring efforts that continued from 2012.

The Company's loss for the year ended December 31, 2013, was $12.2 million (or $0.48 per share) compared to a loss of $11.2 million (or $2.82 per share) in 2012. The increase was primarily due to non-cash charges resulting from the Company's debenture conversion program and the settlement of debt.

SELECTED ANNUAL INFORMATION

The following table sets out selected financial and share information of the Company as at December 31, 2013, 2012 and 2011 and for the years then ended:

KEY FINANCIAL METRICS in 000's (except share amounts)	**2013**	**2012**	**2011**
Revenue			
- Mobile advertising	2,261	1,736	364
- Mobile platform	430	906	759
- Voice and data search	832	1,346	5,080
Total revenue	3,523	3,988	6,203
Operating costs	6,886	11,178	7,968
Operating loss	(3,363)	(7,190)	(1,765)
Net loss	(12,242)	(11,152)	(13,158)
Total assets	2,633	4,039	6,500
Total long term liabilities	562	10,952	3,456
Loss per share – basic and fully diluted	(0.48)	(2.82)	(7.07)
Common Shares outstanding			
- Basic	72,142,191	4,040,351	3,036,738
- Fully diluted	81,718,131	5,541,210	4,347,748

In 2011, VoodooVox identified market demand and commercialization opportunities to transform its legacy voice and data search solutions into a mobile advertising and analytics service. In order to achieve this transformation, the Company undertook a strategy of consolidating certain early providers of mobile advertising solutions by acquiring the assets and business operations of UpSNAP Services LLC ("**UpSnap**"), a private Delaware corporation, in October 2011 and the assets and business operations of VoodooVox, Inc. ("**Old VoodooVox**"), a private Delaware corporation, in January 2012.

The acquisitions of UpSnap and Old VoodooVox along with the Company's focus on its mobile advertising and analytics service resulted in significant year over year increases in mobile adverting revenue. These increases have been offset by decreases in the Company's legacy voice and data search and mobile platform revenues.

The Company invested significant capital and effort in order to effect this business transformation. The acquisitions of UpSnap and Old VoodooVox resulted in redundancies in the consolidated Company's structure including redundant offices, employees and network and data center costs. During 2012 a major cost reduction program was initiated and costs were reduced across all aspects of the Company's operations. These changes resulted in an increase in operating costs for 2012 and a subsequent decrease in 2013.

The Company's total assets consist primarily of goodwill and intangible assets arising from its business acquisitions. The decrease in total assets in 2012 resulted mainly from a write-down of $2.2 million in goodwill from companies acquired in prior years for their legacy voice and data search technologies. The write-down occurred due to the Company's change in business focus. The decrease in total assets in 2013 resulted mainly from amortization expense of $1.0 million on the Company's intangible assets.

In recent years the Company relied on external debt financing to provide it with the working capital required to support ongoing operations. The large amounts of long term liabilities in 2011 and 2012 consisted of debentures issued to investors. In 2013 the Company reached agreements with the majority of its debenture holder to convert their debentures into Common Shares, resulting in a significant decrease in long term liabilities.

RESULTS OF OPERATIONS

Revenues

Revenues for the year ended December 31, 2013, totaled $3.5 million compared to $4.0 million in 2012. The following table sets out additional information concerning revenue by product line for the years ended December 31, 2013 and 2012.

(in '000s)	**2013**	**2012**	**Variance**	**% change**
Mobile Advertising	2,261	1,736	525	30%
Mobile Platform	430	906	476	(53%)
Voice and Data Search	832	1,346	(514)	(38%)
Total	**3,523**	**3,988**	**(465)**	**(12%)**

Despite the challenge of significant working capital constraints revenues from the Company's mobile advertising services continued to grow. The Company expects that revenue from its legacy products will remain flat or decrease as its existing contracts expire. VoodooVox is investing significant resources into growing its mobile advertising sales team in an effort to increase mobile advertising revenue.

Deferred revenue at December 31, 2013, was $0.2 million, compared to $0.1 million at December 31, 2012. The Company does not expect to have significant deferred revenue in future periods.

Operating Costs

Operating costs for the year ended December 31, 2013, decreased to $6.9 million from $11.2 million in 2012. The decrease was primarily due to a reduction in labour and facility costs resulting from the Company's restructuring efforts.

Network and Publisher Costs

Network and publisher costs include network, data and operating charges required to support revenue generating services. These consist of non-labour costs directly incurred by the Company to provide hosted services and to acquire Ad Traffic from publishers. Network and publisher costs for the year ended December 31, 2013, totaled $1.6 million compared to $1.2 million in 2012. The increase is primarily due to an increase in Ad Traffic purchases required to support the growth in mobile advertising revenues. Publisher costs increased from $0.7 million in 2012 to $1.1 million in 2013, consistent with revenue growth. VoodooVox expects its publisher costs to continue to increase in proportion to its growth in mobile advertising revenue.

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, 2013, labour costs were $3.3 million compared to $5.4 million in 2012. The decrease was primarily due to the Company's restructuring efforts. The average number of employees for the year ended December 31, 2013, was 20 compared to 42 in 2012. With restructuring efforts nearing an end the Company expects its labour costs to increase in future periods as it grows its sales team.

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, 2013, totaled $1.0 million compared to $3.0 million in 2012. The decrease was primarily due to a reduction in facility costs resulting from the Company's restructuring efforts. The Company's office and property costs decreased from $1.2 million in 2012 to $0.1 million in 2013. The Company also had year over year decreases in professional and public company costs of $0.6 million and in bad debt expenses of $0.2 million that it expects will carry forward into future periods.

Amortization

Amortization expense for the year ended December 31, 2013, was $1.0 million compared to $1.2 million in 2012. During 2013 VoodooVox transitioned its mobile advertising services to online platforms such as Amazon Web Services. The Company expects its reduced reliance on its own computer hardware and software will result in lower capital and amortization costs in future periods.

Operating Loss

The Company's operating loss for the year ended December 31, 2013, was $3.3 million compared to a loss of $7.2 million in 2012. The decrease was primarily due to a reduction in labour and facility costs resulting from the Company's restructuring efforts.

Interest and Accretion Expense

Interest and accretion expense for the year ended December 31, 2013, was $1.6 million compared to $2.1 million in 2012. Effective August 30, 2013, the Company reached agreements with the majority of its debenture holders to convert their outstanding debentures into Common Shares. The decrease in interest and accretion expense is due to a lower balance of outstanding debentures. The Company expects its interest and accretion expense will be immaterial in future periods.

Loss on Debenture Conversion

Effective August 30, 2013, the Company converted approximately 96% of its outstanding debentures into Common Shares at a conversion price equal to the market price of $0.25 per Common Share. In compliance with IFRS, the Company recorded a loss on the amendment of the conversion terms for its convertible debentures equal to the number of incremental Common Shares that could be distributed to debenture holders under the new conversion terms as compared to the number of Common Shares under the original conversion terms. As a result, the Company recorded a non-cash charge of $5.3 million on the conversion of its convertible debentures.

Loss on Settlement of Debt

In addition to the convertible debentures, the Company settled a number of non-convertible debentures through the issuance of Common Shares. The Company recorded a loss on the settlement of the Company's non-convertible debentures of $0.7 million, calculated as the difference between the carrying value of the Company's non-convertible debentures and the fair value of the equity issued. As well, the Company reached agreements with a number of creditors to settle outstanding debt or payable amounts either at a discount or through the issuance of equity (or both). The Company recorded a loss of $1.1 million on these settlements. The most significant transactions included the issuance of 2,000,000 Common Shares to a former landlord to settle a $0.8 million payable on the closing of one of the Company's offices and the issuance of 6,476,000 Common Shares to settle a $1.8 million earn-out resulting from an old asset purchase agreement.

Net Loss
The Company's loss for the year ended December 31, 2013, was $12.2 million (or $0.48 per share) compared to a loss of $11.2 million (or $2.82 per share) in 2012. The increase was primarily due to the non-cash charges resulting from the debenture conversion and the settlement of debt.

SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

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

(000's, except per share amounts)	**Q1 2012**	**Q2 2012**	**Q3 2012**	**Q4 2012**	**Q1 2013**	**Q2 2013**	**Q3 2013**	**Q4 2013**
Revenue								
Mobile advertising	367	391	499	458	413	740	558	551
Mobile platform	217	580	142	(34)	135	115	122	56
Voice and data search	417	352	248	351	221	180	194	238
	1,001	1,323	889	775	769	1,035	874	845
Expenses								
Network and data costs	300	320	308	321	291	429	407	453
Labour costs	1,779	1,468	1,106	1,018	823	777	640	1,040
Other operating costs	595	633	1,006	823	375	275	174	161
Acquisition earn out	-	-	-	313	-	-	-	-
Amortization	305	303	293	288	261	260	259	261
	2,979	2,724	2,713	2,751	1,750	1,741	1,480	1,915
Operating Loss	(1,978)	(1,401)	(1,824)	(1,987)	(981)	(706)	(606)	(1,070)
Other income/(expense)								
Interest income (expense)	(480)	(493)	(518)	(562)	(556)	(601)	(430)	(60)
Gain (loss) on sale of investment	-	100	(75)	63	(172)	-	-	-
Gain on sale of assets	-	-	-	-	-	26	-	-
Loss on adjustment to convertible debt	-	-	-	-	-	-	(5,316)	-
Loss on impairment of goodwill	-	-	-	(2,211)	-	-	-	-
Loss on impairment of intangible assets	-	-	-	(104)	-	-	-	-
Gain (loss) on settlement of debt	-	-	-	76	-	-	(1,770)	-
Income tax (expense)	-	-	-	-	-	-	-	-
Net loss for the period	(2,458)	(1,794)	(2,417)	(4,483)	(1,709)	(1,281)	(8,122)	(1,130)
Basic and diluted loss per share	(0.69)	(0.42)	(0.62)	(1.11)	(0.40)	(0.30)	(0.33)	(0.02)

Revenue from mobile advertising services was flat in Q4 2013 compared to Q3 as the company did not have sufficient working capital to expand its sales efforts.

VoodooVox has had a trend of decreasing labour costs as a result of its restructuring efforts. The increase in labour costs in Q4 2013 is primarily due to a series of stock options that was granted to employees and directors resulting in a stock option expense of approximately $0.5 million. Excluding this non-cash charge, the Company's trend of decreasing operating losses continued into Q4 2013.

FOURTH QUARTER

Revenue for the quarter ended December 31, 2013, totaled $845 thousand compared to $775 thousand in Q4 2012. Revenue from the Company's mobile advertising services increased to $551 thousand in Q4 2013 compared to $458 thousand in 2012. Revenue from the Company's legacy product lines remained materially unchanged from the prior year.

Operating expenses for the quarter ended December 31, 2013, totaled $1.9 million compared to $2.8 million in Q4 2012. The decrease was primarily due to a reduction in facility costs and other expenses resulting from the Company's restructuring efforts. There were two notable transactions in Q4 2012 that contributed to the higher expense: (1) other operating costs included a charge of $0.4 million to terminate an office lease and (2) other expenses included a charge of $0.3 million to adjust the value of the estimated contingent earn-out on the Company's acquisition of Old VoodooVox. The earn-out was settled in Q3 2013. In Q4 2013, labour costs include a series of stock options granted to employees and directors resulting in a non-cash charge of approximately $0.5 million.

Net loss for the quarter ended December 31, 2013, totaled $1.1 million ($0.02 per share) compared to $4.5 million ($1.11 per share) in Q4 2012. The decrease is primarily due to a decrease in interest and accretion expense on the Company's debentures as well as certain one-time charges that were recorded in Q4 2012. Interest and accretion expense for the quarter ended December 31, 2013, was less than $0.1 million compared to $0.6 million in Q4 2012. The decrease in interest and accretion expense is due to a lower balance of outstanding debentures as a result of the conversion of the majority of the Company's debentures into Common Shares in Q3 2013. Also contributing to a higher net loss in Q4 2012 were charges of approximately $2.3 million for the impairment of certain goodwill and intangible assets.

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 $102.6 million since the Company commenced operations in 2000. As of December 31, 2013, the Company had a working capital deficit of $2.1 million and a cash balance of $0.1 million.

On February 6, 2014, the Company completed a brokered private placement for 96,500,000 Common Shares, at a price of $0.05 per share, and for a $0.1 million debenture for aggregate net proceeds of $3.4 million. The net proceeds include $0.6 million in short term notes that were included in current liabilities at December 31, 2013.

Notwithstanding this financing, the Company's ability to continue operations remains dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer relationships; and 3) secure new customer relationships that provide the Company with adequate funds to cover projected expenditures (or a combination of the foregoing). If the Company does not generate sufficient funds from existing or new customer relationships and is unable to raise additional financing, the Company will have to consider strategic alternatives, which may include, among other things, exploring the monetization of certain intangible assets, modification of planned operating expenditures, or the sale of the Company.

Cash flows from operating activities primarily consist of the Company's loss before income tax adjusted for certain non-cash items such as amortization, stock-based compensation, interest and accretion on debentures, expenses settled in Common Shares rather than cash, gains and losses on the sale of assets or the settlement of liabilities, impairment of goodwill and intangible assets and changes in working capital.

Cash flows used for operating activities for the year ended December 31, 2013, were $1.8 million compared to $4.1 million in 2012. The decrease was primarily due to a reduction in labour and facility costs resulting from the Company's restructuring efforts.

In 2013, VoodooVox financed its operations primarily through the issuance of debt and equity securities. The Company issued $1.4 million in Common Shares, net of issuance costs, and $1.7 million in debentures and short term notes, net of issuance costs. In addition to these financings, cash flows from financing activities included $0.90 million in payments for debentures and short term notes that matured, $0.4 million in interest payments to holders of the Company's debentures and short term notes and $0.1 million in costs on the conversion of the majority of its debentures into Common Shares.

Due to the conversion of the majority of its debentures into Common Shares, the Company does not expect to make significant interest and debenture payments in 2014. VoodooVox expects that the financing that closed on February 6, 2014, for net proceeds of $3.4 million will provide sufficient cash for operations in 2014 and there are currently no plans for additional financing.

Notwithstanding its current plans, for a majority of its mobile advertising services, VoodooVox makes payments to publishers in advance of collecting fees from its customers. Should the Company's mobile advertising revenue grow significantly, working capital requirements will increase as a result and the Company may need to source additional funds.

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, 2013	Payments Due by Period in 000's				
	Total	**2014**	**2015**	**2016**	**After 3 years**
Accounts payable and accrued liabilities	1,743	1,743	-	-	-
Interest on debentures	39	39	-	-	-
Debentures and notes	1,140	578	562	-	-
Total contractual obligations	2,922	2,360	562	-	-

The Company did not have any "off-balance sheet" arrangements as of December 31, 2013. The Company did not have any commitments for capital expenditures as of December 31, 2013, nor any financing sources arranged, but not yet used.

OUTSTANDING SHARE DATA

The Company's outstanding share capital consists of Common Shares. The Company is authorized to issue an unlimited number of Common Shares. At December 31, 2013, 72,142,191 Common Shares were outstanding compared to 4,040,351 Common Shares outstanding at December 31, 2012. The increase was due to the issuance of 52,924,759 Common Shares under debenture conversion agreements, the issuance of 8,418,920 Common Shares for settlement of debt, the issuance of 6,476,000 Common Shares in a private placement, the issuance of 31,900 for a debenture guarantee, the issuance of 6,119 Common Shares under the Company's employee share purchase plan, the issuance of 81,764 Common Shares under a rent agreement, the issuance of 945 Common Shares in connection with the issuance of debentures and the issuance of 10,000 Common Shares under an advisory agreement with an agent.

As at December 31, 2013, the Company had 8,597,200 (585,200 at December 31, 2012) stock options outstanding with a weighted average exercise price of $0.28 and 898,200 (464,320 at December 31, 2012) share purchase warrants outstanding with an average exercise price of $1.68. 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 conversion prices ranging from $5.00 to $25.00 per share, subject to anti-dilution adjustments. If the aggregate principal amount of the debentures distributed in 2009 and still outstanding at December 31, 2013 were to be fully converted, at the $25.00 conversion price, an additional 1,600 Common Shares would be issued. If the aggregate principal amount of the debentures distributed in 2010 and still outstanding at December 31, 2013 were to be fully converted, at the $5.00 conversion price, an additional 6,000 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 72,940 Common Shares would be issued and outstanding. Accordingly, the number of issued and issuable shares on a fully diluted basis was 81,718,131 at December 31, 2013, compared to 5,541,210 at December 31, 2012.

RELATED PARTY TRANSACTIONS

Performance by the Company of its obligations under certain of its 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. During 2012, the Company issued 8,100 Common Shares to the former director as compensation for his debenture guarantees. During the first quarter, the Company issued an additional 31,900 Common Shares to the same former director. The Company estimated the total fair value of these Common Shares to be less than $0.1 million based on the share price in effect on the date the agreement was made. In addition, the Company paid insurance on the personal assets pledged by the former director as part of the debenture guarantees of less than $0.1 million.

In October 2012, the Company entered into an arrangement with a company influenced by a former director to settle $0.2 million in accounts payable through the issuance of 151,433 Common Shares of the Company with a fair value of $0.1 million. These shares were issued in the first quarter of 2013.

Included in the debenture conversion on August 30, 2013, were a total of $0.4 million principal amount of debentures which were held by officers and directors of the Company. Included in the private placement on September 5, 2013, were $0.2 million of investments made by officers and directors of the Company.

For the year ended December 31, 2013, the Company made interest payments on debentures of less than $0.1 million to directors and management of the Company. Included in accounts payable and accrued liabilities at December 31, 2013, were less than $0.1 million due to companies controlled or influenced by directors, management and management contractors of the Company, all of which were for services rendered and reimbursement of expenses in the normal course of operations.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds various forms of financial instruments as follows:

(In '000s)	Designation	Measurement	2013	2012
Cash and cash equivalents	FVTPL	Fair value	135	19
Accounts receivable (excluding commodity tax)	Loans and receivables	Amortized cost	494	634
Other asset	Available for sale	Cost	-	378
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	1,743	2,066
Interest on debentures	Other financial liabilities	Amortized cost	39	649
Debentures	Other financial liabilities	Amortized cost	1,140	10,235
Other liabilities (excluding interest on debentures)	Other financial liabilities	Amortized cost	82	1,007

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.

Financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. At December 31, 2013, primarily all of the Company's cash and cash equivalents were held at three major Canadian and US banks.

The Company's accounts receivable are subject to normal credit risks. Any amounts not provided for are considered fully collectible. The Company's receivables of $0.5 million include $0.3 million in allowance for doubtful accounts, the majority of which consists of amounts receivable for voice and data search products sold to a telecommunications company located in Egypt.

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

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

The most significant foreign exchange exposure arises from U.S. dollar revenue and costs. For the year ended December 31, 2013, approximately 69% of revenue and 33% 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.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and other liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments. The fair value of debentures and accrued interest on debentures, estimated by discounting their future cash flows at a rate of 22%, were $1.3 million at December 31, 2013.

BUSINESS RISKS AND UNCERTAINTIES

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

Substantial Capital Requirements; Liquidity; Going Concern

Because of the costs associated with further development of 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 $12.2 million for the year ended December 31, 2013, $11.2 million for the year ended December 31, 2012, $13.2 million for the year ended December 31, 2011, $8.6 million for the year ended December 31, 2010, $12.4 million for the year ended December 31, 2009, $20.5 million for the year ended December 31, 2008, $12.6 million for the year ended December 31, 2007, and $6.5 million for the year ended December 31, 2006. 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 cloud computing services. 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 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, 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, and opt-in requirements for mobile application. Regulation is also being considered for use and application of consumer demographic information for mobile advertising purposes and other areas impacting on mobile advertising. The consequences of such regulation or changes to such regulation could have a material adverse effect on VoodooVox’s business, results of operations and financial condition.

<u>Costs Associated with Compliance with Securities Laws</u>
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 audited consolidated financial statements as at and for the year ended December 31, 2013, were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Please refer to Note 2 of the Company's audited consolidated financial statements for a detailed discussion regarding the significant accounting policies relied upon in the preparation of the financial statements, the application of critical estimates and judgements in the preparation of the financial statements and recent accounting pronouncements.