MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") for UpSnap, Inc. ("**UpSnap**" or the "**Company**") should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements, and the accompanying notes, as at and for the quarter ended June 30, 2015, which have been filed with certain securities regulatory authorities in Canada and may be accessed through the SEDAR website at www.sedar.com (under UpSnap's profile). References in this MD&A to the Company's financial position and results of operations are presented on a consolidated basis and include the accounts of the Company and its wholly-owned subsidiaries, Call Genie (Ontario) Inc., UpSnap USA Holdings, Inc., UpSnap USA, Inc., Call Genie Europe B.V., VoodooVox Limited and BTS Logic Europe ApS. The Company's unaudited condensed interim 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 August 10, 2015, and the information in this MD&A is current to August 6, 2015, 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.UpSnap.com or through the SEDAR website at www.sedar.com (under UpSnap's profile).

FORWARD LOOKING STATEMENTS AND DISCLAIMER

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

Forward-looking statements are based upon the opinions, expectations and estimates of management and, in some cases, information received from or disseminated by third parties, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include such things as the Company's current stage of development, the lack of a track record with respect to the generation of revenues from performance-based arrangements with customers, its reliance on third parties and third party technology, the existence of competition, the availability of external financing, the inherent risks associated with research and development activities and commercialization of emerging technologies (such as lack of market acceptance), timing of execution of various elements of the Company's business plan, the availability of human resources, the emergence of competing business models, new laws (domestic or foreign), lack of acceptance by customers, management's estimates of project requirements being incorrect, information received from third parties with respect to anticipated transaction volumes being incorrect, a lack of advertising sources for integration into the Company's platform, management's understanding of the competitive and regulatory environment being incorrect and the other risk factors noted below under the heading "Business Risks and Uncertainties". **Accordingly, readers should not place undue reliance upon the forward-looking information contained herein and the forward-looking statements contained in this MD&A should not be considered or interpreted as guarantees of future outcomes or results.**

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

OVERVIEW

UpSnap provides highly-targeted, data-driven mobile advertising to attract the ideal audience for brands big and small. Combining first-party proprietary data and real-time analytics, UpSnap goes beyond location to deliver site agnostic and results-driven campaigns that produce qualified, engaged customers. UpSnap tailors each campaign to align with unique business goals, delivering the right customers for more meaningful exposure and better business results.

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. UpSnap 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 UpSnap 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, downloading an application, selecting an alternative merchant from a disconnected telephone number or providing additional merchant information.

UpSnap offers its mobile advertising services to small businesses on a subscription basis. Advertisers pay a monthly fee in return for a fixed number of mobile display ads. The adds typically target a local area and are associated with a strong call to action such as "tap to call", "tap for directions", "tap for appointment", "tap for coupon", or "tap for website". UpSnap generally sells these subscriptions through a reseller network.

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

UpSnap believes that the key to delivering an effective mobile advertising experience is providing publishers with highly relevant, targeted ads. To assist in targeting these ads, UpSnap 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, UpSnap provides software and services that allow customers such as telephone carriers to run their own mobile advertising exchanges and software and services that allow customers to perform voice and data searches on proprietary business directories. UpSnap expects that these legacy products will continue to generate software license and maintenance fees, hosting fees and consulting fees.

OVERALL PERFORMANCE

In 2014 UpSnap changed its focus to providing mobile advertising solutions to small businesses and broadened its revenue streams to include subscription and performance-based advertising products. In 2015 these efforts continued to accelerate revenue growth and improve revenue and cash flow predictability. Recurring subscription revenue made up approximately 24% of the Company's revenue for the six months ended June 30, 2015, compared to approximately 5% in 2014.

Mobile advertising revenue for the three months ended June 30, 2015, was $1.1 million compared to $0.5 million in 2014, an increase of approximately 96%. Including the company's legacy software products, total revenue for the three months ended June 30, 2015, was $1.3 million compared to $0.7 million in 2014. The increases are primarily due to increases in the company's mobile advertising subscriptions.

In addition to improvements in revenue, UpSnap also made improvements to its cost structure. Operating costs for the three months ended June 30, 2015, totaled $1.5 million compared to $1.8 million in 2014. An increase in Ad Traffic purchases required to support the growth in mobile advertising revenue was offset by decreases in labour costs and amortization. UpSnap sells its small business subscriptions primarily though a reseller network, allowing the Company to increase revenue without increasing labour costs by leveraging its resellers' sales forces and customer relationships. In 2014 UpSnap's intangible assets were fully amortized or eliminated resulting in a decrease in amortization expense.

Net loss for the three months ended June 30, 2015, was $0.2 million (or $0.00 per share) compared to $1.1 million (or $0.01 per share) in 2014. The smaller loss was primarily due to improvements in both revenue and operating costs.

SELECTED FINANCIAL INFORMATION

The following table sets out selected financial and share information of the Company as at June 30, 2015, 2014 and 2013 and for the six month periods then ended:

KEY FINANCIAL METRICS in 000's (except share amounts)	**2015**	**2014**	**2013**
Revenue			
- Mobile advertising	2,251	1,255	1,153
- Software licensing and support	449	499	651
Total revenue	2,700	1,754	1,804
Operating costs	3,229	3,756	3,491
Operating loss	(529)	(2,002)	(1,687)
Net loss	(543)	(1,796)	(2,990)
Total assets	1,303	3,343	3,428
Total long term liabilities	84	511	11,778
Loss per share – basic and fully diluted	(0.00)	(0.01)	(0.70)
Common Shares outstanding			
- Basic	168,642,191	168,642,191	4,267,242
- Fully diluted	189,368,041	184,971,656	5,849,702

In 2013 and 2014, the Company's total assets included goodwill and intangible assets arising from its business acquisitions. During 2013 total assets decreased by approximately $1.0 million due to amortization on the Company's intangible assets and during 2014 total assets decreased by $1.0 million due to amortization and a further $0.8 million due to a write-down in goodwill and 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 2013 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. In 2014 and 2015 the Company's remaining debentures were repaid or are scheduled to be repaid within a year and have been moved to current liabilities.

RESULTS OF OPERATIONS

Subscriber Results

	June 30, 2015	**June 30, 2014**
Total active subscribers at period end	1,345	329
Monthly average revenue per subscriber	US$61.48	US$51.74

UpSnap offers its mobile advertising services to small businesses on a subscription basis. Advertisers pay a monthly fee in return for a fixed number of mobile display ads.

Subscriptions are generally for a one year term and can be renewed by the advertiser. UpSnap sells these subscriptions primarily through a reseller network. UpSnap had 16 active resellers at June 30, 2016. UpSnap expects that subscriptions will continue to grow in future periods.

Revenues

Revenues for the six months ended June 30, 2015, totaled $2.7 million compared to $1.8 million in 2014. Revenues for the three months ended June 30, 2015, totaled $1.3 million compared to $0.7 million in 2014. The following table sets out additional information concerning revenue by product line.

6 months ended June 30 (in 000's)	**2015**	**2014**	**Variance**	**% change**
Mobile Advertising	2,251	1,255	996	79%
Software Licensing and Support	449	499	(50)	(10%)
Total	**2,700**	**1,754**	**946**	**54%**

3 months ended June 30 (in 000's)	**2015**	**2014**	**Variance**	**% change**
Mobile Advertising	1,069	545	524	96%
Software Licensing and Support	243	166	77	46%
Total	**1,312**	**711**	**601**	**85%**

Mobile advertising revenue includes subscription contracts. Subscription contracts are generally for a one year term and the Company bills and records revenue monthly over the term. Revenue from subscription contracts was $0.6 million for the six months ended June 30, 2015, compared to less than $0.1 million in 2014.

UpSnap expects that revenue from its legacy software products will remain flat or decrease as its existing contracts expire.

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. UpSnap expects its quarterly results will continue to vary, from quarter to quarter and year to year, sometimes significantly.

Deferred revenue at June 30, 2015, was $0.3 million, compared to $0.2 million at December 31, 2014. The Company does not expect to have significant deferred revenue in future periods.

Operating Costs

Operating costs for the six months ended June 30, 2015, totaled $3.2 million compared to $3.8 million in 2014. Operating costs for the three months ended June 30, 2015, totaled $1.5 million compared to $1.8 million on 2014. Decreases in labour costs and amortization were partly offset by increases in network and publisher costs.

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, 2015, totaled $1.4 million compared to $0.8 million in 2014. Network and publisher costs for the three months ended June 30, 2015, totaled $0.6 million compared to $0.3 million in 2014. The increase is primarily due to an increase in Ad Traffic purchases required to support the growth in mobile advertising revenues. UpSnap 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 six months ended June 30, 2015, labour costs were $1.2 million compared to $1.8 million in 2014. Labor costs for the three months ended June 30, 2015, were $0.5 million compared to $0.8 million in 2014. The prior year total included severance payments made to three executives. In addition, the Company's stock compensation expense decreased by approximately $0.1 million compared to the prior year. Excluding these one-time and non-cash charges, UpSnap's labour costs remained materially unchanged. Revenue growth associated with new mobile advertising subscriptions sold through the reseller channel does not require additional sales staff and UpSnap expects its labour costs will continue to grow at a slower rate than revenue. The average number of employees for the six months ended June 30, 2015, was 14 compared to 18 in 2014.

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, 2015, totaled $0.6 million, unchanged from 2014. Other operating costs for the three months ended June 30, 2015, totaled $0.4 million, unchanged from 2014.

Amortization

Amortization expense for the three and six months ended June 30, 2015, was less than $0.1 million compared to $0.3 million and $0.5 million for the three and six months ended June 30, 2014. UpSnap's intangible assets were fully amortized or eliminated in 2014 resulting in a decrease in amortization expense. The Company expects its amortization expense will be immaterial in future periods.

Operating Loss

The Company’s operating loss for the six months ended June 30, 2015, was $0.5 million compared to a loss of $2.0 million in 2014. Operating loss for the three months ended June 30, 2015, was $0.2 million compared to $1.1 million in 2014. The smaller loss was primarily due to an increase in mobile advertising revenue and a decrease in labour costs and amortization.

Interest and Accretion Expense

Interest and accretion expense for the three and six months ended June 30, 2015, was less than $0.1 million, unchanged from the prior year. The Company expects its interest and accretion expense will be immaterial in future periods.

Net Loss

The Company's loss for the six months ended June 30, 2015, was $0.5 million (or $0.00 per share) compared to a loss of $1.8 million (or $0.01 per share) in 2014. Net loss for the three months ended June 30, 2015, was $0.2 million compared to a loss of $1.1 million in 2014. Net loss in 2014 includes gains totaling $0.3 million from the settlement of debt compared to $0.1 million in 2015. The smaller loss was primarily due to stronger operating results.

SUMMARY OF QUARTERLY RESULTS

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

(000's, except per share amounts)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
Revenue								
Mobile advertising	558	551	710	545	730	1,004	1,182	1,069
Software licensing and support	316	294	333	166	217	255	206	243
	874	845	1,043	711	947	1,259	1,388	1,312
Expenses								
Network and publisher costs	407	453	526	310	558	630	758	639
Labour costs	640	1,040	945	810	593	606	648	520
Other operating costs	174	161	236	413	298	430	308	354
Amortization	259	261	258	259	259	246	1	1
	1,480	1,915	1,965	1,792	1,708	1,912	1,715	1,514
Operating Loss	**(606)**	**(1,070)**	**(922)**	**(1,081)**	**(761)**	**(653)**	**(327)**	**(202)**
Other income (expense)								
Interest and accretion	(430)	(60)	(46)	(38)	(38)	(36)	(35)	(29)
Loss on adjustment to convertible debt	(5,316)	-	-	-	-	-	-	-
Loss on impairment of goodwill	-	-	-	-	-	(232)	-	-
Loss on impairment of intangible assets	-	-	-	-	-	(601)	-	-
Gain (loss) on settlement of debt	(1,770)	-	290	-	-	-	-	50
Net loss for the period	**(8,122)**	**(1,130)**	**(678)**	**(1,119)**	**(799)**	**(1,522)**	**(362)**	**(181)**
Basic and diluted loss per share	(0.33)	(0.02)	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The reported financial position of the Company presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses totaling $107.2 million since the Company commenced operations in 2000. As of June 30, 2015, the Company had working capital deficit of $1.2 million and a cash balance of $0.6 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 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, gains and losses on the sale of assets or the settlement of liabilities and changes in working capital.

Cash flows from operating activities for the six months ended June 30, 2015, were $0.1 million compared to a deficit of $2.2 million in 2014. The increase in cash was primarily due to stronger operating results and changes in the Company's working capital balances including an increase in accounts payable consistent with the increase in network and publisher costs.

During the six months ended June 30, 2015, UpSnap financed its operations primarily through its cash reserves. Cash flows from financing activities included $0.1 million in interest and principal payments to holders of the Company's debentures.

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 June 30, 2015, 168,642,191 Common Shares were outstanding, unchanged from December 31, 2014.

As at June 30, 2015, the Company had 12,880,850 (15,730,975 at December 31, 2014) stock options outstanding with a weighted average exercise price of $0.09 and 7,845,000 (8,555,200 at December 31, 2014) share purchase warrants outstanding with an average exercise price of $0.09. Accordingly, the number of issued and issuable shares on a fully diluted basis was 189,368,041 at June 30, 2015, compared to 192,968,366 at December 31, 2014.

RELATED PARTY TRANSACTIONS

User Friendly Media ("**UFM**"), a private media company, owns approximately 40% of UpSnap's issued and outstanding common shares. UpSnap bills UFM under a reseller agreement for small business mobile advertising subscriptions. For the six months ended June 30, 2015, UpSnap recorded $0.4 million in revenue under this agreement. There are no amounts receivable from UFM at June 30, 2015.

UFM bills UpSnap under a shared services agreement for management and support services. For the six months ended June 30, 2015, total amounts billed under this agreement, excluding disbursements, totaled less than $0.1 million. Included in accounts payable at June 30, 2015, are $0.2 million in payables to UFM for fees and disbursements.

All related party transactions are measured at exchange amounts, which are the amounts agreed upon between the related parties.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

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

Contractual Obligations as at June 30, 2015	Payments Due by Period in 000's				
	Total	**2015**	**2016**	**2017**	**After 3 years**
Accounts payable and accrued liabilities	1,478	1,478	-	-	-
Debentures and notes	557	473	-	84	-
Total contractual obligations	2,035	1,951	-	84	-

The Company did not have any "off-balance sheet" arrangements as of June 30, 2015. The Company did not have any commitments for capital expenditures as of June 30, 2015, nor any financing sources arranged, but not yet used.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds various forms of financial instruments as follows:

(In '000s)	Designation	Measurement	Jun 31, 2015	Dec 31, 2014
Cash and cash equivalents	FVTPL	Fair value	599	670
Accounts receivable (excluding commodity tax)	Loans and receivables	Amortized cost	555	682
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	1,478	1,163
Debentures	Other financial liabilities	Amortized cost	557	681

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 June 30, 2015, primarily all of the Company's cash and cash equivalents were held at three major 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 include less than $0.1 million in allowance for doubtful accounts.

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

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

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

The carrying values of cash and cash equivalents, accounts receivable 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 debentures, estimated by discounting their future cash flows at a rate of 22%, is $0.6 million at June 30, 2015.

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.

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

No Record of Profit

UpSnap has incurred significant losses to date, and there can be no assurance that the future business activities of UpSnap will be profitable. Since its organization, UpSnap has incurred costs to develop and enhance its technology, to establish strategic relationships, to acquire complementary technologies and to build administrative support systems. UpSnap has incurred negative operational cash flow to date. UpSnap incurred losses from operations of $0.5 million for the six ended June 30, 2015, $4.1 million for the year ended December 31, 2014, $12.2 million for the year ended December 31, 2013, $11.2 million for the year ended December 31, 2012, $13.2 million for the year ended December 31, 2011, $8.6 million for the year ended December 31, 2010, $12.4 million for the year ended December 31, 2009, $20.5 million for the year ended December 31, 2008, $12.6 million for the year ended December 31, 2007, and $6.5 million for the year ended December 31, 2006. UpSnap's ability to operate profitably and generate positive cash-flow in the future will be affected by a variety of factors (including its ability to further develop and test its technology on schedule and on budget, the pace at which it secures additional customers, the time and expense required for the roll-out of its products, its success in marketing its solutions and services to consumers and merchants, the intensity of the competition experienced by UpSnap and the availability of additional capital to pursue its business plan, including development of new solutions and services). An inability to generate sufficient funds from operations will have a material adverse effect on UpSnap's business, results of operations and financial condition.

Developing Market

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

Current Enterprise Value assigned by the Market; Liquidity

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

Third Party Technology

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

Rapid Technological Change

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

Competition

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

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

Need for Research and Development

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

Defects and Liability

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

Patents and Other Intellectual Property

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

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

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

Ability to Manage Growth

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

Personnel Resources

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

Potential Fluctuations in Quarterly Operating Results

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

Risk of Industry Consolidation

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

Government Regulation

The marketplace within which UpSnap operates is in constant flux in relation to government regulation. Areas being regulated include regulation relating to call handling, privacy, and opt-in requirements for mobile application. Regulation is also being considered for use and application of consumer demographic information for mobile advertising purposes and other areas impacting on mobile advertising. The consequences of such regulation or changes to such regulation could have a material adverse effect on UpSnap's business, results of operations and financial condition.

Costs Associated with Compliance with Securities Laws

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's unaudited condensed interim consolidated financial statements as at and for the quarter ended June 30, 2015, were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Please refer to Note 2 of the Company's unaudited condensed interim 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.