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 condensed interim consolidated financial statements, and the accompanying notes, as at and for the three and six months ended June 30, 2023 and the year ended December 31, 2022, which have been filed with certain securities regulatory authorities in Canada and may be accessed through the SEDAR website at www.sedar.com (under UpSnap's profile). References in this MD&A to the Company's financial position and results of operations are presented on a consolidated basis and include the accounts of the Company and its wholly-owned subsidiaries, UpSnap USA Holdings, Inc., BTS Logic Europe ApS, Call Genie (Ontario) Inc., Call Genie Europe B.V., and VoodooVox Limited. The Company's consolidated financial statements, including the notes thereto, and the financial information presented in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are stated in Canadian currency unless otherwise indicated. This MD&A is dated as of August 21, 2023. Whenever used in this MD&A, the term "**Common Shares**" means common shares in the capital of the Company.

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

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

FORWARD LOOKING STATEMENTS AND DISCLAIMER

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

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

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

OVERVIEW

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

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

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

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

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

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

OVERALL PERFORMANCE

Revenue for the three and six months ended June 30, 2023 totaled $224k and $460k compared to $215 and $440k for the three and six months ended June 30, 2022. The increase in revenue is due to the impact of the foreign exchange conversion of foreign currency sales.

Operating costs for the three and six months ended June 30, 2023 were $367k and $723k compared to $332k and $667k for the three and six months ended June 30, 2022. The overall increase is consistent with negative impact of the foreign exchange conversion of foreign currency expenses. The average USD exchange rate rose from 1.27 to 1.35 (as per the Bank of Canada website) for the six months ended June 30, 2023 compared to the same period in 2022.

Net loss before taxes for the three and six months ended June 30, 2023 was $171 and $319k (or $0.00 per share), compared to a loss of $144k and $281k (or $0.00 per share) for the three and six months ended June 30, 2022.

NON-IFRS FINANCIAL MEASURES

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

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

RESULTS OF OPERATIONS

Revenues

UpSnap operates in one segment, advertising software and services. The Covid-19 pandemic had a large impact on the company's small business clients, which many have yet to recover, particularly in the new IDM business. The following tables detail the company's revenues:

Three months ended June 30, (in 000's)	**2023**	**2022**	**Variance**	**% change**
Mobile advertising	140	131	9	7%
Direct mail advertising	39	42	(3)	-8%
Software licensing and support	45	42	3	8%
Total	**224**	**215**	**9**	4%

Six months ended June 30, (in 000's)	**2023**	**2022**	**Variance**	**% change**
Mobile advertising	288	267	21	8%
Direct mail advertising	82	87	(5)	-6%
Software licensing and support	90	86	4	5%
Total	**460**	**440**	**20**	5%

UpSnap continues to focus on servicing the small business market and looks to drive growth through improving its advertising offerings and expanding its reseller network. UpSnap's strategy is to provide unique targeted advertising solutions to small businesses that have traditionally only been affordable for large advertisers.

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

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

Operating Costs

The following tables detail the company's operating costs:

Three months ended June 30, (in 000's)	**2023**	**2022**	**Variance**	**% change**
Network and publisher costs	90	72	18	26%
Other operating costs	274	258	16	6%
Foreign exchange	3	(1)	4	-372%
Amortization	-	3	(3)	-100%
Total	**367**	**332**	**35**	**11%**

Six months ended June 30, (in 000's)	**2023**	**2022**	**Variance**	**% change**
Network and publisher costs	181	143	38	27%
Other operating costs	540	512	28	5%
Foreign exchange	2	7	(5)	-75%
Amortization	-	5	(5)	n/a
Total	**723**	**667**	**56**	**8%**

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

Other Operating Costs
Other operating costs consist primarily of facility costs, professional services, telephone expenses, sales and marketing costs, travel costs and costs associated with operating as a public issuer. The following table provides a breakdown of other operating costs:

Three months ended June 30, (in 000's)	**2023**	**2022**
Consultants (including development costs)	121	119
Professional fees	25	33
Marketing and travel	50	42
Insurance, interest and bank fees	45	41
Shareholder and public company costs	6	5
Rent, supplies and postage	9	12
Other expenses	18	6
Total	**274**	**258**

Six months ended June 30, (in 000's)	**2023**	**2022**
Consultants (including development costs)	243	227
Professional fees	59	75
Marketing and travel	102	93
Insurance, interest and bank fees	89	88
Shareholder and public company costs	10	10
Rent, supplies and postage	12	6
Other expenses	25	13
Total	**540**	**512**

The increase in other operating costs for in 2023, was mainly due to the increase in foreign exchange rates on the conversion of US expenses to Canadian. Generally, expenses remained consistent with the prior period.

<u>Operating Loss</u>
UpSnap's operating loss for the three and six months ended June 30, 2023, was $143k and $263k compared to $117k and $227k for the same period in 2022. The increased loss was mainly due to the negative effects of change in foreign exchange rates year over year.

<u>Interest and Accretion Expense</u>
Interest and accretion expense for the three and six months ended June 30, 2023, was $28k and $56k, compared to $27k and $54k for the same period in 2022. The interest and accretion relate to an $800k debenture issued in October 2018 to a related party (see related party transactions).

<u>Net Income or Loss</u>
UpSnap's net loss for the three and six months ended June 30, 2023, was $171 and $319k ($0.00 per share) compared to $144k and $281k ($0.00 per share) for the same periods in 2022.

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 2021**	**Q4 2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q1 2023**
Revenue								
Mobile advertising	183	125	136	131	135	144	148	140
Direct mail advertising	69	52	45	42	45	54	43	39
Software licensing and support	46	45	44	42	42	73	44	45
Software customization	-	-	-	-	-	-	-	-
	298	222	225	215	222	271	236	224
Expenses								
Network and publisher costs	126	81	71	72	104	85	91	90
Labour costs	26	18	-	-	-	-	-	-
Other operating costs and foreign exchange	235	222	262	257	251	385	265	277
Amortization	3	3	2	3	2	15	-	-
	390	324	335	332	357	485	356	367
Operating gain (loss)	(92)	(102)	(110)	(117)	(135)	(214)	(120)	(143)
Gain on extinguishment of debt	7	-	-	-	-	26	-	-
Government grants	10	-		-		-	-	-
Impairment of intangible assets	-	-		-		-	-	-
Interest and accretion	(28)	(24)	(27)	(27)	(28)	(28)	(28)	(28)
Income taxes	-	(169)	-	-	-	-	-	-
Net gain (loss) for the period	(103)	(295)	(137)	(144)	(163)	(216)	(148)	(171)
Basic and diluted loss per share	-	-	-	-	-	-	-	-

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The reported financial position of the Company presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred accumulated losses of $112 million since the Company commenced operations in 2000. As of June 30, 2023, the Company had a working capital deficit of $3.7million and a cash balance of $148k.

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

GOING CONCERN

The Company's future operations are dependent upon its ability to secure additional funds or secure sales contracts (or both) or achieve profitable operations, which provide the Company with adequate funds to cover the cash flows projected for the next year. If the Company does not secure such contracts, cannot secure additional financing or renegotiate existing financing, the Company will have to consider additional strategic alternatives which may include, among other strategies, modification of planned operating expenditures or sale of the Company. It is not possible to predict whether the Company will be successful in securing new contracts, securing additional financing or renegotiating existing financing.

These factors raise significant doubt as to the Company's ability to continue as a going concern. In the meantime, the Company is reliant on financing and operational support from a shareholder, User Friendly Media, to continue operations. The consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

In order to help alleviate the liquidity concerns, the Company is taking measures to increase sales (through enhanced and new product offerings), taking cost reduction measures, by reviewing all non-essential expenses, negotiating with certain vendors for more favorable payment terms, and pursuing synergistic acquisitions and partnerships to drive growth and revenue.

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, 2023	Payments Due by Year in 000's				
	Total	**2023**	**2024**	**2025**	**After 3 years**
Accounts payable and accrued liabilities	643	643	-	-	-
Due to related parties	1,875	1,875	-	-	-
CEBA loan	38	38	-	-	-
Debentures	800	800	-	-	-
Total	**3,356**	**3,356**	**-**	**-**	**-**

The Company did not have any off-balance sheet arrangements as of June 30, 2023. The Company did not have any commitments for capital expenditures as of June 30, 2023, nor any financing sources arranged, but not yet used.

The Company has a $800,000 debenture with UFM (a related party) that becomes due on September 30, 2023. The maturity date has been extended multiple times, and most recently on June 30, 2023, the Company amended the terms of the debenture, to extend the maturity date of the Debenture from June 30, 2023 to September 30, 2023. The Debenture will continue to bear interest at an annual rate of 13.5% to be paid to UFM quarterly.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company holds various forms of financial instruments as follows:

	Designation	**June 30, 2023**	December 31, 2022
Cash and cash equivalents	Amortized cost	**148**	206
Accounts receivable	Amortized cost	**143**	144
Accounts payable and accrued liabilities	Amortized cost	**643**	598
Due to related party	Amortized cost	**1,875**	1,696
CEBA loan	Amortized cost	**38**	38
Other liabilities	Amortized cost	**210**	215
Debenture	Amortized cost	**800**	800

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

Financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. At June 30, 2022, primarily all of the Company's cash and cash equivalents were held at two major Canadian and U.S. banks. At June 30, 2023 all of the Company's cash and cash equivalents were held at one major Canadian bank (with an AA- credit rating) and one major U.S. bank (with a credit rating of D). As at June 30, 2023, the Company had deposit accounts at Silicon Valley Bank amounting to $40k representing a security deposit against the Company credit card.

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 $6k 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, accounts payable and accrued liabilities and debenture approximate their fair values due to the immediate or short-term maturity of these financial instruments.

BUSINESS RISKS AND UNCERTAINTIES

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

Substantial Capital Requirements; Liquidity; Going Concern

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

No Record of Profit

UpSnap has incurred significant losses to date, and there can be no assurance that the future business activities of UpSnap will be profitable. Since its organization, UpSnap has incurred costs to develop and enhance its technology, to establish strategic relationships, to acquire complementary technologies and to build administrative support systems. UpSnap has incurred negative operational cash flow to date. UpSnap incurred losses of $0.7 million for the year ended December 31, 2022, $0.5 million for the year ended December 31, 2021, $0.5 million for the year ended December 31, 2020, $0.7 million for the year ended December 31, 2019, $0.7 million for the year ended December 31, 2018, $0.2 million for the year ended December 31, 2017, $1.0 million for the year ended December 31, 2016, $1.1 million for the year ended December 31, 2015, $4.1 million for the year ended December 31, 2014, $12.2 million for the year ended December 31, 2013, $11.2 million for the year ended December 31, 2012, $13.2 million for the year ended December 31, 2011, $8.6 million for the year ended December 31, 2010, $12.4 million for the year ended December 31, 2009, $20.5 million for the year ended December 31, 2008, $12.6 million for the year ended December 31, 2007, and $6.5 million for the year ended December 31, 2006. UpSnap's ability to operate profitably and generate positive cash-flow in the future will be affected by a variety of factors (including its ability to further develop and test its technology on schedule and on budget, the pace at which it secures additional customers, the time and expense required for the roll-out of its products, its success in marketing its solutions and services to consumers and merchants, the intensity of the competition experienced by UpSnap and the availability of additional capital to pursue its business plan, including development of new solutions and services). An inability to generate sufficient funds from operations will have a material adverse effect on UpSnap's business, results of operations and financial condition.

Developing Market

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

Current Enterprise Value assigned by the Market; Liquidity

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

Third Party Technology

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

Rapid Technological Change

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

Competition

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

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

Need for Research and Development

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

Patents and Other Intellectual Property

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

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

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

Ability to Manage Growth

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

Personnel Resources

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

Potential Fluctuations in Quarterly Operating Results

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

Risk of Industry Consolidation

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

Government Regulation

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

Costs Associated with Compliance with Securities Laws

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

OUTSTANDING SHARE DATA

The Company's outstanding share capital consists of Common Shares. The UpSnap is authorized to issue an unlimited number of Common Shares. At the date of this MD&A, 267,640,941 Common Shares were outstanding, unchanged from the prior year.

As at the date of this MD&A, the Company had 2,250,000 stock options outstanding and exercisable with a weighted average exercise price of $0.05.

RELATED PARTY TRANSACTIONS

User Friendly Media ("UFM"), a private media company, owns approximately 49% of UpSnap's issued and outstanding common shares. UpSnap bills UFM under a reseller agreement for small business advertising subscriptions. For the six months ended June 30, 2023, UpSnap recorded $225 (2022 – $207) in revenue under this agreement. Included in accounts receivable at June 30, 2023 are $35 (December 31, 2022 – $28) in receivables from UFM. Included in contract liabilities at June 30, 2023 are $276 (2022 – $226) in deposits from UFM for future advertising services.

UFM bills UpSnap under a shared services agreement for management and support services, which include shared office space and key management roles including the Chief Executive Officer, Vice President of Operations and Vice President of Product and Technology. For the six months ended June 30, 2023, total amounts billed under this agreement, excluding disbursements, totalled $16 (2022 – $16). Due to related parties at June 30, 2023 represents $1,354 (December 31, 2022 – $1,232) in payables to UFM for fees and disbursements and $520 (2022 – $464) for accrued interest on a debenture.

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

Key management compensation for the six months ended June 30,	**2023**	2022
Professional fees and salaries	**$ 18**	$ 18
Stock-based compensation	**-**	-
	$ 18	$ 18

Key management includes the senior officers of the Company and directors.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2023, were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). Please refer to Note 2 of the Company's annual audited consolidated financial statements for the year ended December 31, 2022 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.