DIGIFONICA INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information, prepared as of April 30, 2013, should be read in conjunction with the consolidated financial statements of Digifonica International Inc. (the "Company" or "Digifonica") for the year ended December 31, 2012. The referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information relating to the Company and its operations is available under the Company's profile on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

The Company's consolidated financial statements for the year ended December 31, 2012, and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators.

It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of April 30, 2013.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions.

Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A.

Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

COMPANY DESCRIPTION

Digifonica International Inc. was incorporated under the Alberta Business Corporations Act on November 23, 2004. The Company's main activity during the year ended December 31, 2012 has been maintaining its public listing. The main activities of the Company during the years ended December 31, 2011 and 2010 was maintaining its public listing and keeping the patent applications current. The patents were sold along with the subsidiaries on July 19, 2011. The Company is listed on the TSX Venture Exchange's NEX board under the trading symbol "DIL.H".

OVERALL PERFORMANCE

The Company had been considering various restructuring alternatives. As part of the restructuring process, the Company completed a share consolidation effective February 25, 2011, consolidating its common shares on the basis of one (1) new common share for every ten (10) old common shares issued and outstanding at that time. All references to share and per share amounts have been retroactively restated to reflect the share consolidation.

Effective July 19, 2011, the Company sold all of its subsidiaries, including its wholly-owned subsidiaries Digifonica (International) Limited and Digifonica Canada Limited, to the previous President of the Company for proceeds of $1. The subsidiaries held all patent technologies that were written-down to a value of $1. Included in the subsidiaries was $1,025,572 of liabilities. The liabilities are no longer liabilities of the Company.

On December 14, 2011, the Company closed a private placement of 30,000,000 units at $0.05 per unit for gross proceeds of $1,500,000. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder thereof the right to purchase one common share at $0.10 per share, exercisable up to December 14, 2012. Proceeds of the private placement have been used for debt repayment and for general working capital.

On April 24, 2012, the Company entered into a non-binding letter of intent ("LOI") to acquire from BidCactus, LLC ("BidCactus") substantially all of the assets and certain of the liabilities of BidCactus (the "Transaction"). On December 10, 2012, the Company entered into a formal agreement with BidCactus.

Under the terms of the Transaction, the Company will issue to BidCactus 25,000,000 common shares of the Company. A finder's fee of 500,000 common shares will be payable. In addition, the Company will undertaken a brokered private placement financing of at least $5,000,000 by the issuance of at least 12,500,000 units at $0.40 per unit, each unit consisting of one common share of the company and one half of one warrant, each full warrant entitling the holder thereof to buy one additional common share of the Company at $0.75 per share for a period of two years (the "Units").

On July 31, 2012, the Company announced that it had negotiated with Canaccord Genuity Corp. ("Canaccord") to complete a private placement on a commercially reasonable efforts basis to sell up to 7,500,000 Units at $0.40 per Unit for gross proceeds of $3,000,000. The Company also granted Canaccord the option to solicit an additional 2,500,000 Units to raise an additional $1,000,000. The Company also announced that it plans on completing a non-brokered private placement of up to 5,000,000 Units at $0.40 per Unit for gross proceeds of $2,000,000.

Completion of the transaction is subject to the Company obtaining regulatory and shareholder approvals as well as securing an investment banker to sponsor the transaction with regulators. In addition, the Company must complete a financing of at least $5 million at closing. None of these matters have been resolved to date.

SELECTED ANNUAL INFORMATION

The following is a summary of certain selected audited consolidated financial information of the Company for the years ended December 31, 2012, 2011 and 2010

	2012 $	2011 $	2010 $
Total Revenues	-	-	-
Net (Loss) Income	(591,330)	687,305	(642,157)
Net (Loss) Income Per Share (basic and diluted)[(1)]	(0.02)	0.13	(0.17)
Total Assets	126,570	246,928	3,237
Long Liabilities	333,175	235,103	2,166,106
Dividends Declared	-	-	-

[(1)] The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

RESULTS OF OPERATIONS

The Company recorded net loss of $591,330 ($0.02 per share) for the year ended December 31, 2012 as compared to net income of $687,305 ($0.13 per share) for the year ended December 31, 2011. The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported net loss to produce an adjusted net loss that forms a better basis for comparing the year over year operating results of the Company.

	Year Ended December 31, 2012 $	Year Ended December 31, 2011 $
Net (loss) income for the year as reported	(591,330)	687,305
Foreign exchange loss	713	2,646
Gain on forgiveness of debt	(30,015)	(40,110)
Gain on sale of subsidiaries	-	(1,025,422)
Adjusted net loss for the year [(1)]	(620,632)	(375,581)

[(1)] Adjusted net loss for the year is not a term recognized under IFRS.

Comments regarding certain of these items are as follows:

- Foreign exchange loss is based on fluctuations in the exchange rate between the Canadian dollar and the US dollar/British pound. Certain liabilities were denominated in US dollars and British pounds.
- The gain on forgiveness of debt is based on settling liabilities for amounts below book value.
- The gain on sale of subsidiaries is calculated by subtracting the net book value of the subsidiaries from the gross proceeds ($1). The subsidiaries had nominal assets ($151) and liabilities totaling $1,025,572.

The increase in adjusted net loss recorded in the year ended December 31, 2012 as compared to the year ended December 31, 2011 is the net result of changes to a number of expenses. Of note are the following items:

- Consulting fees ($208,644 vs. $102,760) increased as the Company actively pursued the Transaction. The consulting fees in the 2012 period were paid to Canaccord as a work fee in connection with the BidCactus LOI and to consultants assisting in the Transaction. The consulting charges in 2011 were due to recognizing fees charged by former directors and officers of the Company.

- Legal fees ($256,928 vs. $65,323) are comprised of fees relating to the BidCactus LOI and restructuring the Company.
- Office and miscellaneous expenses ($88,747 vs. $135,344) decreased as no patent related expenses were incurred in the current year. The general and administrative fees include office rent, transfer agent fees and filing fees with the TSX Venture Exchange.
- Interest expense ($2,312 vs. $25,807) is comprised of interest on past due liabilities and decreased commensurate with a decrease in such liabilities.

FOURTH QUARTER

The Company recorded a net loss of $250,154 ($0.01 per share) for the three months ended December 31, 2012 as compared to a net loss of $28,046 ($0.26 per share) for the three months ended December 31, 2011. The variation is primarily due to the increase in legal fees related to the Transaction.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table sets out financial information for the past eight quarters:

	Three Months Ended ($)			
	December 31, 2012	**September 30, 2012**	**June 30, 2012**	**March 31, 2012**
Total Revenues	-	-	-	-
Net Loss	(250,154)	(250,304)	(45,510)	(45,362)
Net Loss Per Share (basic and diluted)[1]	(0.01)	(0.01)	(0.00)	(0.00)

	Three Months Ended ($)			
	December 31, 2011	**September 30, 2011**	**June 30, 2011**	**March 31, 2011**
Total Revenues	-	-	-	-
Net Income (Loss)	(28,046)	993,140	(128,404)	(149,385)
Net Income (Loss) Per Share (basic and diluted)[1]	(0.26)	0.26	(0.03)	(0.04)

(1) The basic and diluted loss per share calculations result in the same amount.

The net income recorded during the three months ended September 30, 2011 was due to the gain on sale of subsidiaries of $1,025,422.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations consumed approximately $621,000 of cash (before working capital items) for the year ended December 31, 2012. The Company's aggregate operating, investing, and financing activities during the year ended December 31, 2012 resulted in a decrease in its cash balance from $237,471 at December 31, 2011 to $94,576 at December 31, 2012. The Company's working capital deficiency at December 31, 2012 was $206,605 (December 31, 2011 - working capital of $11,825). The Company will need additional capital for general working capital purposes.

INVESTING AND FINANCING ACTIVITIES

During the year ended December 31, 2012, the Company had no financing activities, other than the exercise of 3,729,000 warrants for proceeds of $372,900. During the year ended December 31, 2011, the Company closed a private placement of 30,000,000 units at $0.05 per unit for gross proceeds of $1,500,000. Each unit was comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder thereof the right to purchase one common share at $0.10 per share, exercisable up to December 14, 2012.

During the year ended December 31, 2012 the Company made cash repayments on loans in the amount of $107,451.

During the year ended December 31, 2011, the Company received proceeds from loans ($133,870) and repaid loans ($490,704) resulting in net cash repayments of $356,834.

RELATED PARTY TRANSACTIONS

The Company incurred the following charges with directors and officers of the Company and/or companies controlled by them during the years ended December 31, 2012 and 2011:

	2012 $	2011 $
Accounting fees	39,518	9,177
Consulting fees	30,000	66,590
	69,518	75,767

Included in accounts payable and accrued liabilities as at December 31, 2012 is $44,390 (2011 - $20,365) due to current and former directors and officers of the Company and/or companies controlled by them. The amounts owing are unsecured, non-interest bearing and due on demand.

At December 31, 2012, $4,422 (2011 - $4,422) of the demand loans are due to a director of the Company. The amounts owing are unsecured, non-interest bearing and due on demand.

Key management includes the directors of the Company. The compensation paid or payable to key management for services during the years ended December 31, 2012 and 2011 is identical to the table above.

FINANCIAL INSTRUMENTS

Classification of Financial Instruments

The Company's financial instruments consist of cash, other receivable, accounts payable and accrued liabilities, demand loans and subscriptions payable. The Company designated its cash and other receivables as loans and receivables, which are measured at amortized cost. The accounts payable and accrued liabilities, demand loans and subscriptions payable are designated as other financial liabilities, which are measured at amortized cost.

Discussions of risks associated with financial assets and liabilities are detailed below:

Foreign Exchange Risk

The Company has financial instruments denominated in U.S. dollars ("US$"). Accounts exposed to foreign exchange risk as of December 31, 2012 are:

	US$
Cash	-
Accounts payable and accrued liabilities	(12,441)
Net exposure to foreign currencies	(12,441)

Accounts exposed to foreign exchange risk as of December 31, 2011 are:

	US$
Cash	-
Accounts payable and accrued liabilities	(4,239)
Net exposure to foreign currencies	(4,239)

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is primarily held with the Bank of Montreal.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss is limited because at present the Company's liabilities are non-interest bearing or have fixed interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. At December 31, 2012 the Company had a working capital deficiency of $206,605.

OUTSTANDING SHARE DATA

Authorized: Unlimited common shares without par value.
Unlimited preferred shares issuable in series.

All share information is reported as of April 30, 2013 in the following table:

Type of Security	Number	Exercise Price ($)	Expiry Date
Issued and outstanding common shares	39,558,143	N/A	N/A
Total	39,558,143		

RISKS AND UNCERTAINTIES

The Company has incurred significant losses since inception. The continued operations of the Company are dependent on its ability to generate future cash flow and obtain additional financing. The Company has traditionally financed its cash requirements through the issuance of common shares. If the Company is unable to generate cash from operations or obtain additional financing its ability to continue as a going concern could be impaired.

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended December 31, 2012 and this accompanying MD&A (together the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

OUTLOOK

The Company is in the process of determining how to proceed with the BidCactus Transaction. The Company requires additional financing for working capital purposes.