VoodooVox Inc.
Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2013 and 2012
(unaudited – prepared by Management)

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NOTICE TO READER OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The condensed interim consolidated statement of financial position of VoodooVox Inc. as at September 30, 2013 and the condensed interim consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the three and nine months ended September 30, 2013 and 2012 are the responsibility of the Company's management.

These condensed interim consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Collins Barrow Toronto LLP.

The condensed interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards.

"signed"	*"signed"*
George Cooney	A. Alex Pekurar
Chief Executive Officer	Chief Financial Officer
Toronto, Canada	Toronto, Canada
November 29, 2013	November 29, 2013

VoodooVox Inc.
Consolidated Statements of Operations and Comprehensive Loss

(In thousands of Canadian dollars, except share data)(unaudited)

	Note	Three months ended September 30, **2013**	2012	Nine months ended September 30, **2013**	2012
Revenue		**$ 874**	$ 889	**$ 2,678**	$ 3,213
Operating costs					
Network and publisher costs		**(407)**	(308)	**(1,127)**	(909)
Labour costs	9(e)	**(640)**	(1,106)	**(2,240)**	(4,372)
Other operating costs		**(174)**	(1,006)	**(824)**	(2,226)
Amortization	4,5	**(259)**	(293)	**(780)**	(909)
Operating loss		**(606)**	(1,824)	**(2,293)**	(5,203)
Gain (loss) on sale of other asset	6	**-**	(75)	**(172)**	25
Gain on sale of property and equipment		**-**	-	**26**	-
Loss on adjustment to convertible debt	8(g)	**(5,316)**	-	**(5,316)**	-
Loss on settlement of debt	7,8(g)	**(1,770)**	-	**(1,770)**	-
Interest and accretion on debentures	10	**(430)**	(518)	**(1,587)**	(1,491)
Loss before income taxes		**(8,122)**	(2,417)	**(11,112)**	(6,669)
Income taxes		**-**	-	**-**	-
Net loss and comprehensive loss for the period		**$ (8,122)**	$ (2,417)	**(11,112)**	$ (6,669)
Basic and diluted loss per share		**$ (0.33)**	$ (0.62)	**$ (1.01)**	$ (1.78)
Weighted average number of shares – basic and diluted		**24,329,505**	3,885,888	**11,013,150**	3,736,943

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

VoodooVox Inc.
Consolidated Statements of Financial Position

(In thousands of Canadian dollars, except share data)(unaudited)

As at	Note	**September 30, 2013**	December 31, 2012
Assets			
Current assets:			
Cash and cash equivalents	3	**189**	19
Accounts receivable		**706**	663
Prepaid expenses and deposits		**63**	85
Other current assets	6	**-**	378
		958	1,145
Non-current assets:			
Property and equipment	4	**7**	16
Intangible assets	5	**1,875**	2,646
Goodwill		**232**	232
		3,072	4,039
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	10	**2,066**	2,066
Current portion of debentures and notes	8	**103**	310
Current portion of other liabilities	7	**54**	629
Deferred revenue		**120**	105
Income taxes payable		**295**	295
		2,635	3,405
Non-current liabilities:			
Other liabilities	7	**13**	1,027
Debentures and notes	8	**616**	9,925
		3,264	14,357
Shareholders' deficiency			
Share capital		**81,923**	66,816
Shares to be issued	7	**1,605**	161
Contributed surplus		**17,786**	13,099
Deficit		**(101,506)**	(90,394)
		(192)	(10,318)
		3,072	4,039

These consolidated financial statements are authorized for issue by the Board of Directors on November 29, 2013. They are signed on the Company's behalf by:

"*signed*" Director — Micky Tsui

"*signed*" Director — S. Graeme Ross

VoodooVox Inc.
Consolidated Statements of Changes in Shareholders' Equity

(In thousands of Canadian dollars, except share data)(unaudited)

	Note	Common shares	Share capital	Shares to be issued	Contributed surplus	Deficit	Shareholders' deficit
Balance at January 1, 2013		4,040,350*	66,816	161	13,099	(90,394)	(10,318)
Net loss		-	-	-	-	(11,112)	(11,112)
Settlement of debt	10(a)	151,434*	113	(113)	-	-	-
Debenture guarantee fee	10(c)	31,900*	48	(48)	-	-	-
Employee stock purchase plan	9(b)	6,119*	9	-	-	-	9
Rent for shares	9(b)	26,494*	120	-	-	-	120
Advisory agreement	9(b)	10,000*	2	-	-	-	2
Shares issued on debentures	8(d)	945*	1	-	-	-	1
Warrants issued on debentures, net of issuance costs	8	-	-	-	11	-	11
Debenture conversion	8(g)	52,924,759*	13,231	-	4,549	-	17,780
Share issue costs on conversion	9(e)	-	(381)	-	-	-	(381)
Shares issued in private placement	9(b)	6,476,000	1,619	-	-	-	1,619
Share issue costs		-	(215)	-	-	-	(215)
Rent for shares agreement	9(b)	55,270	60	-	-	-	60
Settlement of debt	7	2,000,000	500	1,605	-	-	2,105
Stock based compensation	9(e)	-	-	-	127	-	127
Balance at September 30, 2013		**65,723,271**	**81,923**	**1,605**	**17,786**	**(101,506)**	**(192)**

	Note	Common shares	Share capital	Shares to be issued	Contributed surplus	Deficit	Shareholders' deficit
Balance at January 1, 2012		3,036,738*	61,699	-	13,908	(79,242)	(3,635)
Net loss		-	-	-	-	(6,669)	(6,669)
Employee stock purchase plan		13,971*	53	-	-	-	53
Debentures converted		483,355*	3,598	-	(1,903)	-	1,695
Shares issued on acquisition		225,000*	1,069	-	-	-	1,069
Shares issued on debentures		127,287*	169	-	-	-	169
Advisory agreement		40,000*	50	-	140	-	190
Debenture guarantee fee		8,100*	10	-	-	-	10
Share issuance costs		-	(5)	-	-	-	(5)
Stock-based compensation		-	-	-	362	-	362
Balance at September 30, 2012		3,934,451*	66,643	-	12,507	(85,911)	(6,761)

** Effective September 4, 2013, the Company consolidated its shares on a 50:1 basis (Note 9(b)). The historical share amounts presented in these financial statements have been retroactively adjusted to reflect this change.*

VoodooVox Inc.
Consolidated Statements of Cash Flows

(In thousands of Canadian dollars, except share data)(unaudited)

For the nine months ended September 30	Note	**2013**	2012
Cash flows from operating activities:			
Loss before income taxes for the period		**(11,112)**	(6,669)
Adjustments for:			
Stock-based compensation	9(e)	**127**	362
Amortization of property, equipment and intangible assets	4,5	**780**	909
Interest on debentures		**1,090**	900
Accretion on debentures		**497**	591
Advisory agreement	9(b)	**2**	50
Debenture guarantee	6	**96**	10
Administrative fee on promissory notes	8(f)	**49**	-
Gain on sale of assets		**(24)**	-
Settlement of receivable for other asset		**-**	(315)
Loss on conversion of debentures	8(g)	**5,316**	-
Loss on settlement of debt	7,8(g)	**1,770**	-
Loss on disposal of property and equipment	6	**172**	-
		(1,237)	(4,162)
Changes in non-cash working capital balances:			
Accounts receivable		**(43)**	(203)
Prepaid expenses and deposits		**22**	94
Accounts payable and accrued liabilities		**469**	623
Other liabilities		**(178)**	671
Deferred revenue		**15**	(135)
		(952)	(3,112)
Cash flows from financing activities:			
Proceeds from debt issuance, net of issuance costs	8	**616**	4,483
Issuance of common shares, net of issuance costs	9	**1,404**	67
Proceeds from promissory notes	8	**650**	-
Repayment of debentures	8	**(935)**	(830)
Fees paid on debenture conversion	8	**(381)**	-
Interest paid on debentures		**(340)**	(650)
		1,014	3,070
Cash flows from investing activities:			
Purchase of property and equipment	4	**(2)**	(3)
Proceeds from sale of other assets	6	**110**	-
Net cash acquired on VoodooVox acquisition		**-**	94
		108	91
Net increase (decrease) in cash and cash equivalents		**170**	49
Cash and cash equivalents, beginning of period		**19**	382
Cash and cash equivalents, end of period		**189**	431

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

1. Nature of Operations and Continuance of Operations

VoodooVox Inc. (the “Company” or “VVX”) was incorporated under the laws of Canada on October 17, 2000 and was continued into Alberta on February 5, 2003. The Company is domiciled in Canada and the head office is located at 100 Consilium Place, Toronto, Ontario, Canada.

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

These consolidated financial statements have been prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company began commercial operations on October 17, 2000 and, to September 30, 2013, has accumulated a deficit amounting to $101,506. The Company had a working capital deficiency of $1,677 at September 30, 2013.

The Company’s future operations are dependent upon its ability to secure additional funds or secure sales contracts (or both), which provide the Company with adequate funds to cover the cash flows projected for the next year. If the Company does not secure such contracts, or if it cannot secure additional financing, the Company will have to consider additional strategic alternatives which may include, among other strategies, exploring the monetization of certain intangible assets, modification of planned operating expenditures, or sale of the Company. It is not possible to predict whether the Company will be successful in securing new contracts or securing additional financing. These factors raise substantial doubt as to the Company’s ability to continue as a going concern. These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Summary of Significant Accounting Policies

(a) Statement of compliance to International Financial Reporting Standards
These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements for the year ended December 31, 2012.

2. Summary of Significant Accounting Policies (continued)

(b) Basis of preparation

The Company prepares its financial statements on a historical cost basis, except for certain financial instruments measured at fair value as described in the accounting policies below. Share-based payments are measured at fair value at the transaction date. The notes presented in these unaudited interim condensed consolidated financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2012.

The accounting policies below have been applied consistently by the Company, and its subsidiaries, unless otherwise stated.

(c) Principals of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: (i) Call Genie (Ontario) Inc., (ii) VoodooVox Holding USA, Inc., (iii) Call Genie Europe B.V., (iv) VoodooVox Limited; and (v) BTS Logic Europe ApS. All intercompany transactions and balances have been eliminated on consolidation.

(d) Use of estimates and key judgments

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

(i) Judgements

Arrangements with multiple deliverables

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

Contract accounting

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

Functional currency

Judgement is also used in the determination of the Company’s functional currency and the functional currency of its subsidiaries.

2. Summary of Significant Accounting Policies (continued)

(ii) Estimates

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

(k) Intangible assets

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

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

(l) Impairment of long-lived assets

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

(m) Goodwill

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

(n) Income taxes

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the consolidated statement of operations and comprehensive loss, except to the extent that it relates to items recognized directly in equity, in which case the tax is recognized in equity. An income tax asset or liability is the estimated tax receivable or payable on taxable earnings for the current and past periods, inclusive of any possible effect that could arise from a review by the tax authorities.

2. Summary of Significant Accounting Policies (continued)

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

(o) Provisions
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle that obligation.

(p) Convertible debentures and debenture units with detachable equity
Convertible debentures and debenture units with detachable equity are accounted for in accordance with their substance and are presented in their component parts of debt and equity. The debt component is measured at the present value of the cash payments of interest and principal due over the term of the debentures using interest rates of comparable non-convertible debt. The difference between the face value of the debentures and the debt component value is allocated to the equity component. When the convertible debentures are distributed in conjunction with warrants, the fair value of the warrants is estimated using the Black-Scholes option valuation model. The residual equity component is allocated pro rata between the conversion feature and the warrants based on their relative fair values.

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

(q) Loss per share
Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted loss per share considers the dilutive effect of the exercise of the outstanding stock options, warrants and the conversion of the convertible debentures, as if the events had occurred at the beginning of the year or at a time of issuance, if later. The dilutive effect on loss per share is recognized on the use of proceeds that would be obtained upon exercise of stock options and warrants. It assumes that proceeds would be used to purchase common shares at the average market price during the period. As the effect of all outstanding stock options, warrants and convertible debentures is antidilutive during a year when the Company incurs a loss, diluted earnings per share do not differ from basic loss per share.

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

2. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Services
The Company also enters into annual standalone renewals of maintenance and support after the initial contract has been completed. The Company recognizes these revenues ratably over the term of the contract.

Revenue based on the activity of mobile users viewing ads through developer applications and mobile websites is recognized when advertising services are delivered based on the specific terms of the advertising contract, which are commonly based on the number of ads delivered, or views, clicks or actions by users on mobile advertisements. At that time, the services have been provided, the fees charged are fixed or determinable, persuasive evidence of an arrangement exists, and collectability is reasonably assured.

2. Summary of Significant Accounting Policies (continued)

In the normal course of business, the Company acts as an intermediary in executing transactions with third parties. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in these transactions with advertisers and involves judgment based on an evaluation of the terms of each arrangement. While none of the factors individually are considered presumptive or determinative, in reaching conclusions on gross versus net revenue recognition, management places the most weight on the analysis of whether or not the Company is the primary obligor in the arrangement. To date, management has determined that the Company is the primary obligor in all the advertising arrangements because the Company is responsible for identifying and contracting with third-party advertisers, establishing the selling prices of the advertisements sold, and performing all billing and collection activities, including retaining credit risk, and bearing sole responsibility for fulfillment of the advertising.

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

(t) Segment reporting
The Company operates a single reportable operating segment, conducting business in two geographic areas of operations

(u) Changes to accounting standards

The following standards are required to be applied for periods beginning on or after January 1, 2013, and, unless otherwise indicated, have no effect on our financial performance:

IFRS 7
In December 2011, the IASB amended IFRS 7 – Financial Instruments: Disclosures, to require disclosures to better assess the effect or potential effect of offsetting arrangements in the statements of financial position.

IFRS 10
In May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements, which establishes principles for the presentation and preparation of consolidated financial statements. Under IFRS 10, control is identified as the single basis of consolidation for all types of entities.

IFRS 11
In May 2011, the IASB issued IFRS 11 – Joint Arrangements, which requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method.

2. Summary of Significant Accounting Policies (continued)

IFRS 12
In May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, which integrates and enhances the disclosure requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. As required, the enhanced disclosures will be included in our annual financial statements for the year ended December 31, 2013.

IFRS 13
In May 2011, the IASB issued IFRS 13 – Fair Value Measurement, which establishes a single source of guidance for fair value measurement under IFRS. IFRS 13 defines fair value, provides guidance on measurement and introduces certain disclosure requirements.

IAS 19, Employee Benefits (“IAS 19”)
In June 2011, the IASB amended IAS 19 – Employee Benefits., which changes the basis for determining the income or expense related to defined benefit plans.

3. Cash and Cash Equivalents

As at	**September 30, 2013**	December 31, 2012
Business and savings accounts	**179**	9
Cashable guaranteed investment certificates	**10**	10
	189	19

4. Property and Equipment

	Computer Hardware	**Furniture and Fixtures**	**Total**
Cost			
January 1, 2013	**439**	**35**	**474**
Additions	**2**	**-**	**2**
Disposal	**(32)**	**(29)**	**(61)**
September 30, 2013	**409**	**6**	**415**
Accumulated Amortization			
January 1, 2013	**425**	**33**	**458**
Amortization for the period	**8**	**1**	**9**
Disposal	**(30)**	**(29)**	**(59)**
September 30, 2013	**403**	**5**	**408**
At September 30, 2013	**6**	**1**	**7**

5. Intangible Assets

	Acquired Technology	**Software Licenses**	**Total**
Cost			
January 1, 2013	**6,637**	**295**	**6,932**
September 30, 2013	**6,637**	**295**	**6,932**
Accumulated Amortization			
January 1, 2013	**3,991**	**295**	**4,286**
Amortization for the period	**770**	**-**	**771**
September 30, 2013	**4,762**	**295**	**5,057**
At September 30, 2013	**1,875**	**-**	**1,875**

6. Other Current Assets

As at December 31, 2012, the Company held 630,000 common shares of a private company with a carrying value of $378 equal to their average cost as the fair value of the common shares cannot be measured reliably as the private company does not have a quoted market price.

The Company assigned 275,000 of these common shares valued at $96 to a former director as consideration for his on-going debenture guarantees, sold the remaining 315,000 common shares to the same former director for gross proceeds of $110, and recorded a loss of $172 on settlement of these transactions.

7. Other Liabilities

As at	**September 30, 2013**	December 31, 2012
Deferred salaries	**38**	53
Interest on debentures	**29**	649
Onerous contract (i)	**-**	412
UpSNAP acquisition earn-out	**-**	45
VoodooVox acquisition earn-out (ii)	**-**	497
	67	1,656
Current portion	**(54)**	(629)
	13	1,027

(i) During the current quarter the Company agreed to settle all outstanding payables and commitments under the contract through the issuance of 2,000,000 common shares valued at $500. The Company recorded a loss of $10 on the settlement.

(ii) During the current quarter the Company agreed to settle the outstanding earn-out through the issuance of common shares valued at $1,605. The Company issued the shares subsequent to quarter end. The VoodooVox acquisition earn-out arose from the acquisition of assets and business operations in January 2012 from a Delaware company then operating as VoodooVox, Inc. and consisted of contingent consideration of USD $1,800 in cash over a period of time subject to net income. The Company estimated the carrying value of the earn-out provision in accordance with IFRS3, whereby, the contingent consideration was fair valued using a probability based approach using likelihoods of reaching the operating profits target and positive cash flows. In settling the earn-out, the Company recorded a loss of $1,072.

8. Debentures and Notes

As at	Conversion Price ($/share)	Principal Amount	Rate of Interest	**Sep 30, 2013**	Dec 31, 2012
May 2012 Convertible Debenture (g)	25.00	-	10.0%	**-**	383
Oct 2012 Convertible Debenture (a)(g)	25.00	-	12.0%	**-**	1,585
Aug 2012 Convertible Debenture* (g)	5.00	70	15.0%	**64**	310
Aug 2012 Debenture* (g)	-	-	10.0%	**-**	653
Feb 2013 Debenture (g)	-	-	12.0%	**-**	300
Mar 2015 Convertible Debenture (g)	12.50	-	12.0%	**-**	2,033
Sep 2012 Debenture* (b)	-	-	15.0%	**-**	250
Mar 2013 Debenture* (g)	-	-	15.0%	**-**	750
Sep 2012-II Debenture* (c)	-	-	12.0%	**-**	50
Jun 2014 Debenture* (g)	-	-	17.5%	**-**	707
Aug 2015 Debenture (g)	-	300	12.0%	**263**	1,664
Sep 2015 Debenture (g)	-	180	12.0%	**147**	770
Oct 2015 Debenture* (g)	-	-	12.0%	**-**	191
Nov 2015 Debenture (g)	-	-	12.0%	**-**	589
Jan 2016 Debenture (d)(g)	-	-	12.0%	**-**	-
Mar 2015 Debenture (e)	-	150	12.0%	**142**	-
Promissory notes (f)	-	103	10.0%	**103**	
				719	10,235
Current portion				**(103)**	(310)
				616	9,925

**These debentures are secured by certain assets owned by a company controlled by a former director.*

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

(a) On October 31, 2012, a total of $2,090 in convertible debentures matured. The Company redeemed $105 in convertible debentures and entered into agreements with a $100 debenture holder to defer repayment of principal and interest until December 31, 2012, a $10 debenture holder to defer repayment of principal and interest until April 30, 2013, $250 debenture holders to defer repayment of principal until October 31, 2014 with interest due semi-annually, and the remaining $1,625 debenture holders to defer repayment of principal and interest to October 31, 2014. On April 30, 2013, the Company redeemed $10 in convertible debentures which had matured.

8. Debentures and Notes (continued)

(b) Effective March 1, 2012, the Company completed a non-brokered private placement of 250 debentures, in denominations of one thousand dollars, in the aggregate principal amount of $250 (the “Sep 2012 Debentures”). The debentures bear interest at the rate of 15% per annum, payable quarterly in June and September, and matured on September 2, 2012. The Company incurred financing costs of $13 in connection with this placement of debentures. On maturity, the Company entered into an agreement with the debenture holder to defer the repayment of principal and interest to September 2, 2014 or earlier subject to financing goals. During the first quarter, the Company met the financing goals and renegotiated the agreement to repay the principal and interest before September 30, 2013. The Company redeemed $50 in the first quarter and the remaining $200 in the third quarter.

(c) Effective May 20, 2012, the Company completed a non-brokered private placement of 100 units. Each unit, in denominations of one thousand dollars, consisted of a non-convertible debenture and 2,000 common shares. The debentures, in the aggregate principal of $100 (the “Sep 2012-II Debentures”), bear interest at a rate of 12.0% per annum, payable at maturity, and matured on September 20, 2012. The Company determined the fair value of the debentures was $95 and allocated the difference of $5 to the 200,000 common shares. The Company incurred no financing costs in connection with the private placement. On maturity, the Company entered into agreements with the debenture holder to redeem $50 and defer repayment of principal and interest on the remainder. The Company redeemed $25 in the first quarter, $6 in the second quarter and the remaining $19 in the third quarter.

(d) Effective January 30, 2013, the Company completed a brokered private placement of 525 units. Each unit, in denominations of one thousand dollars, consisted of a non-convertible debenture and 3,000 warrants. The debentures, in aggregate principal of $525 (the “Jan 2016 Debentures”), bear interest at a rate of 12% per annum, payable quarterly, and mature on January 30, 2016. The warrants have an exercise price of $0.02 and expire on January 30, 2016. The Company determined the fair value of the debentures was $517 and allocated the difference of $8 to the 1,575,000 warrants. The Company incurred financing costs of $53 in connection with this debenture, consisting of $52 in cash and $1 on the issuance of 47,250 common shares to the broker. The Company allocated $1 of financing costs to the warrants.

(e) Effective March 18, 2013, the Company completed a brokered private placement of 150 units. Each unit, in denominations of one thousand dollars, consisted of a non-convertible debenture and 3,000 warrants. The debentures, in aggregate principal of $150 (the “Mar 2015 Debentures”), bear interest at a rate of 12% per annum, payable quarterly, and mature on March 18, 2015. The principal and interest amounts may be repaid by the Company through the provision of certain services to the holder. The warrants have an exercise price of $0.02 and expire on March 18, 2015. The Company determined the fair value of the debentures was $145 and allocated the difference of $5 to the 450,000 warrants. The Company incurred financing costs of $21 in connection with this debenture, consisting of $6 in cash and $15 on the issuance of $15 in principal amount of Mar 2015 Debentures to an agent. The Company allocated $1 of financing costs to the warrants.

(f) During the second quarter the Company received a series of promissory notes totalling $650. Each promissory note bears interest at 10% until June 28, 2013 and 39% thereafter. The Company incurred financing costs of $49 in connection with the promissory note. The financing costs were added to the outstanding balance on the promissory notes. On August 21, 2013, the Company agreed to settle the outstanding principal and accrued interest through the payment of $625 and the issuance of a new promissory note of $103 bearing interest at 10% until November 1, 2013.

8. Debentures and Notes (continued)

(g) On June 14, 2013, the shareholders and directors of the Company approved an incentive program in an effort to encourage holders of outstanding debentures to convert outstanding principal and interest into common shares, excluding certain short term promissory notes and a debenture from a strategic investor where the principal and interest amounts may be repaid by the Company through the provision of certain services to the holder. The incentive program offered debenture holders the option to convert the principal amount of debentures and the accrued but unpaid interest thereon into common shares at the weighted average market price of the Company's common shares. Effective August 30, 2013, the Company converted an aggregate of $11,865 principal amount of debentures and $1,366 accrued interest thereon into 52,924,759 common shares at a conversion price of $0.25 per share. The Company incurred financing costs of $381 on the conversion. Included in the conversion were a total of $355 principal amount of debentures which were held by officers and directors of the Company, and a total of $850 principal amount of debentures held by a holder of more than 10% of the Common Shares immediately prior to the completion of the conversion.

The Company recorded a loss on the settlement of the Company's non-convertible debentures of $688, calculated as the difference between the carrying value of the Company's non-convertible debentures and the fair value of the equity issued. On the Company's pre-existing convertible debentures, the Company recorded a loss on the amendment of the conversion terms of $5,247, equal to the number of incremental common shares that could have been distributed to debenture holders under the new conversion terms as compared to the number of common shares under the original conversion terms of the debentures, and an adjustment to contributed surplus of $767.

9. Equity Instruments

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

There are no issued and outstanding preferred shares.

(b) Issued and outstanding common shares

(i) The Company has established an employee stock purchase plan for the benefit of all eligible employees. Under the plan, common shares of the Company may be purchased at three-month intervals at 85% of the weighted average trading price of such shares for the applicable three-month period. Employees may contribute from 3% to 20% of their gross base salary. During the period ended September 30, 2013, the Company issued 6,119 (2012 – 13,971) common shares at an average price of $1.46 (2012 – $3.85) per share.

(ii) The Company had a "shares for rent" agreement with one of its landlords. Under the terms of the agreement, at the Company's option the landlord was required to subscribe for a number of common shares in exchange for the value of quarterly net rent. The number of common shares, calculated on the first day of each quarter, was equal to the net rent due divided by a denominator equal to the previous five-day weighted average closing price of the common shares (as reported by the TSX). The agreement commenced on July 1, 2009 and ended on September 30, 2012. At December 31, 2012, the Company had a commitment to issued $180 in shares under this agreement. During the period ended September 30, 2013, the Company issued 81,764 shares for $180 in rent payments.

9. Equity Instruments

(iii) On January 18, 2013, the Company issued 10,000 common shares to an advisor in connection with a general financial advisory agreement executed on November 26, 2012. The Company estimated the fair value these common shares to be $2 based on the share price in effect on the date the advisory agreement was signed.

(iv) On June 14, 2013, the shareholders and directors of the Company approved the consolidation of the Company's common shares (or reverse-split) on the basis of 50 (old) common shares for 1 (new) common share. The Company completed the share consolidation on September 4, 2013. The historical share amounts presented in these financial statements have been retroactively adjusted to reflect this change.

(v) On September 5, 2013, the Company completed a brokered private placement for 6,476,000 common shares, at a price of $0.25 per share, for aggregate gross proceeds of $1,619. The Company incurred financing costs of $215 and issued 438,880 warrants to the broker. The broker warrants have an exercise price of $0.25 and expire on September 5, 2015. The Company determined the fair value of the broker warrants of $81 using the Black-Scholes option valuation model assuming a risk-free interest rate of 1.2%, an expected volatility of 158% and an expected life of 2.0 years.

(c) Issued and outstanding warrants

	Weighted Average Exercise Price ($)	Number
Outstanding, January 1, 2013	3.51	464,320
Issued on debentures (Note 8(d)(e))	1.00	40,500
Issued on private placement (Note 9(b))	0.25	438,880
Outstanding, September 30, 2013	**1.87**	**943,700**

Warrants outstanding as of September 30, 2013 are as follows:

Exercise Price ($)	Weighted Average Remaining Contractual Life in Years	Outstanding
6.00	0.9	233,500
1.00	2.0	271,320
0.25	1.9	438,880

(d) Issued and outstanding broker warrants

	Weighted Average Exercise Price of Convertible Debenture (thousand)	Number
Outstanding, January 1 and September 30, 2013	**$1**	**637.25**

The weighted average remaining contractual life for broker warrants outstanding as of September 30, 2013 is 1.3 years.

9. Equity Instruments

(e) Options

Under the Company's current Stock Option Plan (the "Plan"), the Company's directors may approve the issuance of stock options to directors, officers and employees and agents of the Company and its affiliates. The aggregate number of shares reserved for issuance under the Plan is up to 15% of the number of outstanding common shares. As at September 30, 2013, 578,387 stock options remained outstanding at exercise prices ranging from $0.50 to $12.00 per share. Options for the Company's directors vest immediately, while options for employees generally vest ratably over a period of up to three years. All options have a life of five years and have expiry dates ranging from February 2014 to February 2018.

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

	2013	2012
Risk-free rate	1.2%	1.0%
Expected dividend yield	0.0%	0.0%
Expected volatility rate	130%	120%
Expected option life	3 years	3 years
Forfeiture rate	15%	0.0%
Share price (per share)	$0.50	$5.00
Exercise price (per share)	$0.50	$3.34
Fair value (per share)	$0.16	$2.38

During the period ended September 30, 2013, $127 (2012 - $362) was included in labour costs as stock-based compensation related to options with the corresponding amount charged to contributed surplus.

9. Equity Instruments (continued)

The following table sets out information concerning stock options issued to employees, consultants, directors and officers that were outstanding at September 30, 2013:

	Weighted Average Exercise Price ($)	Number of Options
Outstanding, January 1, 2013	3.18	585,177
Granted	0.45	71,200
Forfeited	1.83	(77,990)
Outstanding, September 30, 2013	**2.77**	**578,387**

The following table summarizes information about the stock options outstanding at September 30, 2013:

Range of Exercise Prices per Share ($)	Number of Options Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price ($)	Number of Options Vested/ Exercisable	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price ($)
0 to 2.50	307,198	4.1	0.79	168,666	4.1	0.67
2.50 to 5.00	210,8930	2.3	4.28	141,331	1.8	4.17
5.00 to 7.50	12,397	2.3	5.73	10,266	2.1	5.86
7.50 to 12.00	47,899	1.6	8.06	43,666	1.5	8.07
	578,387	**3.2**	**2.77**	**363,929**	**2.8**	**3.07**

10. Related Party Transactions

The Company had the following related party transactions:

(a) In October 2012, the Company entered into an arrangement with a company influenced by a former director of the Company to settle $189 in accounts payable through the issuance of 151,434 common shares of the Company with a fair value of $113. The shares were issued in the first quarter.

(b) For the period ended September 30, 2013, the Company made interest payments on debentures of $5 (2012 - $10) to directors, senior management and management contractors of the Company.

(c) During the first quarter, the Company issued 31,900 common shares to a former director as compensation for debenture guarantees. The Company estimated the total fair value of these common shares to be $48 based on the share price in effect on the date the advisory agreement was signed.

(d) As part of the September 5, 2013, private placement, two officers, a former officer and one director purchased $280.

All the related party transactions have been measured at the exchange amounts, which is the amount agreed upon between the related parties.

Key management personnel compensation

Compensation	**September 30, 2013**	September 30, 2012
Salaries	**964**	850
Stock-based compensation	**66**	130
	1,030	980

The key management includes the senior officers of the Company.

11. Commitments and Contingencies

(a) Leases

The Company has no significant obligations under long-term operating leases. The Company incurred operating lease costs of $326 for the period ended September 30, 2013 (2012 - $555).

(b) General

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

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

12. Financial Instruments and Risk Management

Classification of financial instruments

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

The Company holds various forms of financial instruments as follows:

	Designation	Measurement	**September 30, 2013**	December 31, 2012
Cash and cash equivalents	Held-for-trading	Fair value	**189**	19
Accounts receivable (excluding commodity tax)	Trade and other receivables	Amortized cost	**593**	634
Other current assets	Available for sale	Fair value	**-**	378
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	**2,063**	2,066
Other liabilities and income taxes payable	Other financial liabilities	Amortized cost	**362**	1,951
Debentures and notes	Other financial liabilities	Amortized cost	**719**	10,235

Financial risk management

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

Credit risk

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

At September 30, 2013, primarily all of the Company's cash and cash equivalents were held at one financial institution.

12. Financial Instruments and Risk Management (continued)

The Company, in the normal course of business, is exposed to credit risk from its customers. The accounts receivable are subject to normal credit risks. Any amounts not provided for are considered fully collectible. For the period ended September 30, 2013, the Company earned 16% of its revenue from an advertising agency and 11% from a carrier. For the period ended September 30, 2012, the Company earned 16% of its revenue from a software developer and 13% of its revenue from a carrier.

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

	September 30, 2013	December 31, 2012
Current	**474**	311
31 to 60 days	**12**	239
61 to 90 days	**25**	78
Over 90 days	**82**	6
Past due and impaired		
Over 90 days	**255**	252
Less: allowance for doubtful accounts	**(255)**	(252)
Total accounts receivable, net	**593**	634

Liquidity risk

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

The contractual maturities of the Company's financial liabilities, including interest charges, as at September 30, 2013 are as follows:

Fiscal year ending	2013	2014	2015	2016
Accounts payable and accrued liabilities	2,063	-	-	-
Debentures and notes	103	63	552	-
Interest on debentures	15	14	-	-
	2,181	77	552	-

12. Financial Instruments and Risk Management (continued)

Foreign currency risk

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

The most significant exposure arises from U.S. dollar revenue and costs. For the period ended September 30, 2013, approximately 69% of revenue and 51% of costs were transacted in U.S. dollars. As a result, the Company may experience transaction exposure because of volatility in the exchange rate between the Canadian and U.S. dollar. Based on the Company's current U.S. denominated net inflows, as at September 30, 2013, an increase in the value of the U.S. dollar versus the Canadian dollar of 10% would, everything else being equal, have an effect of increasing revenue by 6.9%, increasing costs by 5.2% and increasing income from operations by 4.3%. A decrease in the value of the U.S. dollar would result in a corresponding decrease by these percentages.

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

Fair values of financial instruments

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

The fair value of the debentures, which is estimated by discounting their future cash flows at a rate of 22%, is $776 (December 31, 2012 – $10,983).

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

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

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

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

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

13. Capital Management

The Company's objective when managing capital is to ensure that it has adequate financial resources to maintain liquidity necessary to fund its operations and provide returns for shareholders and benefits to other stakeholders. The capital structure of the Company consists of share capital and debentures. At September 30, 2013, the Company has share capital of $81,923 and debentures of $719.

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

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

14. Segmented Information

Operating segment

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

Product category information

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

	September 30, 2013	September 30, 2012
Mobile Advertising Services	**1,711**	1,258
Mobile Platform Licensing	**373**	940
Voice and Data Search	**594**	1,015
Total	**2,678**	3,213

Geographic information

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

	September 30, 2013	September 30, 2012
North America	**1,789**	1,997
Rest of world	**889**	1,216
Total	**2,678**	3,213

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

15. Subsequent Event

Effective October 2, 2013, the Company issued a series of convertible short term notes for gross proceeds of $500. The notes bear no interest and have a one year term after which they convert into a 12% convertible debenture. The Company incurred financing costs of $115 in connection with the notes. In the event that the Company completes a financing transaction prior to maturity, the notes will be automatically substituted for and included in the financing transaction on a pari passu basis. The proceeds will be used by the Company solely to service existing advertising campaigns and acquire new advertising campaigns.