Voip-pal.com Inc
Form 10-Q
February 13, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended: December 31, 2018

or

Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

Commission File Number: 000-55613

VoIP-PAL.COM INC.

(Exact name of Registrant as specified in its charter)

Nevada	**980184110**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

10900 NE 4th Street, Suite 2300

Bellevue, WA, 98004
(Address of principal executive offices)

1-888-605-7780

(Registrant's telephone number, including area code)

Check whether the Registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days.

Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of February 12, 2019, there were 1,950,555,092 shares of Common Stock outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

VOIP-PAL.com Inc.

INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited – prepared by management)

As at

(Expressed in U.S. Dollars)

	December 31, 2018	September 30, 2018
ASSETS		
CURRENT		
Cash	$3,024,202	$3,175,523
Legal retainer	337,453	323,752
	3,361,655	3,499,275
NON-CURRENT		
Fixed assets (Note 5)	11,729	—
Intellectual VoIP communications patent properties, net (Note 6)	882,999	917,550
TOTAL ASSETS	$4,256,383	$4,416,825
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$94,156	$112,935
TOTAL LIABILITIES	94,156	112,935
STOCKHOLDERS’ equity		
SHARE CAPITAL (Note 9)	1,424,447	1,276,653
ADDITIONAL PAID-IN CAPITAL (Note 9)	50,762,227	45,198,281
SHARES TO BE ISSUED (Note 9)	495,320	477,320
DEFICIT	(48,519,767)	(42,648,364)
	4,162,227	4,303,890

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,256,383	$4,416,825

Nature and Continuance of Operations (Note 1)

Contingent Liabilities (Note 11)

The accompanying notes are an integral part of these interim consolidated financial statements

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VOIP-PAL.com Inc.

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited – prepared by management)

(Expressed in U.S. Dollars)

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017
EXPENSES		
Amortization (Notes 5 & 6)	$34,739	$34,550
Officers & Directors fees (Note 7)	290,600	53,100
Legal fees	237,408	343,777
Office & general	74,287	89,204
Patent consulting fees	43,675	33,529
Professional fees & services	110,694	110,930
Share-based bonus compensation (Notes 7, 9 & 11)	5,080,000	—
Total expenses	5,871,403	665,090
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$(5,871,403)	$(665,090)
Basic and diluted loss per common share	$(0.00)	$(0.00)
Weighted-average number of common shares outstanding:		
Basic and diluted	1,690,841,578	1,166,319,004

The accompanying notes are an integral part of these interim consolidated financial statements

VOIP-PAL.com Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – prepared by management)

(Expressed in U.S. Dollars)

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017
Cash Flows from Operating Activities		
Net loss	$(5,871,403)	$(665,090)
Add items not affecting cash:		
Shares issued for services	307,500	2,370
Share-based bonus compensation (Notes 7, 9 & 11)	5,080,000	—
Amortization	34,739	34,550
Changes in non-cash working capital:		
Legal retainer	(13,701)	—
Subscriptions receivable	—	(65,000)
Accounts payable and accrued liabilities	(18,779)	89,977
Cash Flows Used in Operations	(481,644)	(603,193)
Cash Flows from Investing Activities		
Acquisition of equipment	(11,917)	—
Cash Flows used in Financing Activities	(11,917)	—
Cash Flows from Financing Activities		
Proceeds from convertible debentures	—	—
Proceeds from private placement	90,000	1,930,093
Proceeds from warrant exercise	252,240	40,000
Cash Flows Provided by Financing Activities	342,240	1,970,093
Increase / (Decrease) in cash	(151,321)	1,366,900
Cash, beginning of the period	3,175,523	12,157
Cash, end of the period	$3,024,202	$1,379,057

Supplemental cash flow information (Note 8)

The accompanying notes are an integral part of these interim consolidated financial statements

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VOIP-PAL.com Inc.

INTERIM CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited – prepared by management)

(Expressed in U.S. dollars)

	Share Capital Number	Par Value	Shares to be Issued Value	Additional Paid-in Capital	Deficit	Total
Balance at September 30, 2017	1,142,125,534	$1,018,760	$1,063,041	$33,028,389	$(34,246,816)	$863,374
Shares issued for private placement	113,453,749	113,454	—	3,288,606	—	3,402,060
Shares issued for warrant exercise	50,125,000	50,125	—	1,954,875	—	2,005,000
Shares issued for services	104,313,833	104,314	(585,721)	4,363,603	—	3,882,196
Shares issued for Anti-Dilution Clause (Notes 4 & 9)	174,983,685	—	—	—	—	—
Share purchase options granted (Note 10)	—	—	—	2,552,808	—	2,552,808
Shares returned (Note 9)	(10,000,000)	(10,000)	—	(21,542)	—	(31,542)
Forgiveness of debt by related party (Note 9)	—	—	—	31,542	—	31,542
Net loss for the year	—	—	—	—	(8,401,548)	(8,401,548)
Balance at September 30, 2018	1,575,001,801	$1,276,653	$477,320	$45,198,281	$(42,648,364)	$4,303,890
Shares issued for private placement	2,250,000	2,250	—	87,750	—	90,000
Shares issued for warrant exercise	6,306,000	6,306	—	245,934	—	252,240
Shares issued for services	12,237,500	12,238	18,000	277,262	—	307,500
Shares issued for bonus compensation (Notes 7, 9 & 11)	127,000,000	127,000	—	4,953,000	—	5,080,000
Shares issued for Anti-Dilution Clause (Notes 4 & 9)	225,184,791	—	—	—	—	—
Net loss for the period	—	—	—	—	(5,871,403)	(5,871,403)
Balance at December 31, 2018	1,947,980,092	$1,424,447	$495,320	$50,762,227	$(48,519,767)	$4,162,227

The accompanying notes are an integral part of these interim consolidated financial statements

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2018

NOTE 1. NATURE AND CONTINUANCE OF OPERATIONS

VOIP-PAL.com, Inc. (the "Company") was incorporated in the state of Nevada in September 1997 as All American Casting International, Inc. The Company's registered office is located at 10900 NE 4th Street, Suite 2300, Bellevue, Washington in the United States of America.

Since March 2004, the Company has developed technology and patents related to Voice-over-Internet Protocol (VoIP) processes. All business activities prior to March 2004 have been abandoned and written off to deficit.

In December 2013, the Company completed the acquisition of Digifonica (International) Limited, a private company controlled by the CEO of the Company, whose assets included several patents and technology developed for the VoIP market.

These consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business. The Company is in various stages of product development and continues to incur losses and, at December 31, 2018, had an accumulated deficit of $48,519,767 (September 30, 2018 - $42,648,364). The ability of the Company to continue operations as a going concern is dependent upon raising additional working capital, settling outstanding debts and generating profitable operations. These material uncertainties raise substantial doubt about the Company's ability to continue as a going concern. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values of assets and liabilities may be required. There can be no assurance that capital will be available as necessary to meet these continued developments and operating costs or, if the capital is available, that it will be on the terms acceptable to the Company. The issuances of additional stock by the Company may result in a significant dilution in the equity interests of its current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, its business and future success may be adversely affected.

Additionally, as the Company's stated objective is to monetize its patent suite through the licensing or sale of its intellectual property ("IP"), the Company being forced to litigate or to defend its IP claims through litigation casts substantial doubt on its future to continue as a going concern. IP litigation is generally a costly process, and in the absence of revenue the Company must raise capital to continue its own defense and to validate its claims – in the event of a failure to defend its patent claims, either because of lack of funding, a court ruling against the Company or because of a protracted litigation process, there can be no assurance that the Company will be able to raise additional capital to pay for an appeals process or a lengthy trial. The outcome of any litigation process may have a significant adverse effect on the Company's ability to continue as a going concern.

NOTE 2. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP").

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements have been prepared on a consolidated basis and include the accounts of the Company and its wholly owned subsidiary Digifonica. All intercompany transactions and balances have been eliminated. As at December 31, 2018, Digifonica had no activities.

Use of Estimates

The preparation of these consolidated financial statements required management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Where estimates have been used financial results as determined by actual events could differ from those estimates.

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2018

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash

Cash consists of cash on hand and monies held in checking and savings accounts. The Company had $3,024,202 and $3,175,523 in cash on December 31, 2018 and September 30, 2018, respectively.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation, and depreciated using the straight-line method over their useful lives; Furniture and equipment – 7 years; and Computers and Software – 3 years.

Intangible Assets

Intangible assets, consisting of VoIP communication patent intellectual properties (IP) are recorded at cost and amortized over the assets estimated life on a straight-line basis. Management considers factors such as remaining life of the patents, technological usefulness and other factors in estimating the life of the assets.

The carrying value of intangible assets are reviewed for impairment by management of the Company at least annually or upon the occurrence of an event which may indicate that the carrying amount may be less than its fair value. If impaired, the Company will write-down such impairment. In addition, the useful life of the intangible assets will be evaluated by management at least annually or upon the occurrence of an event which may indicate that the useful life may have changed.

Fair Value of Financial Instruments

FASB ASC 820, Fair Value Measurement, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

U.S. GAAP establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes the following fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of cash is classified as Level 1 at December 31, 2018 and September 30, 2018.

The Company classifies its financial instruments as follows: Cash is classified as held for trading and is measured at fair value. Accounts payable and accrued expenses are classified as other financial liabilities, and have a fair value approximating their carrying value, due to their short-term nature.

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2018

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Taxes

Deferred income taxes have been provided for temporary differences between financial statement and income tax reporting under the asset and liability method, using expected tax rates and laws that are expected to be in effect when the differences are expected to reverse. A valuation allowance is provided when realization is not considered more likely than not.

The Company's policy is to classify income tax assessments, if any, for interest expense and for penalties in general and administrative expenses. The Company's income tax returns are subject to examination by the IRS and corresponding states, generally for three years after they are filed.

Loss per Common Share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during each period. Diluted income per share includes potentially dilutive securities such as outstanding options and warrants outstanding during each period. To calculate diluted loss per share the Company uses the treasury stock method and the If-converted method.

For the period ended December 31, 2018 and the year ended September 30, 2018 there were no potentially dilutive securities included in the calculation of weighted-average common shares outstanding.

Derivatives

We account for derivatives pursuant to ASC 815, *Accounting for Derivative Instruments and Hedging Activities*. All derivative instruments are recognized in the consolidated financial statements and measured at fair value regardless of the purpose or intent for holding them. We determine fair value of warrants and other option type instruments based on option pricing models. The changes in fair value of these instruments are recorded in income or expense.

Stock-based compensation

The Company recognizes compensation expense for all stock-based payments made to employees, directors and others based on the estimated fair values of its common stock on the date of issuance.

The Company determines the fair value of the share-based compensation payments granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. If the fair value of the equity instruments issued is used, it is measured using the stock price and other measurement assumptions as of the earlier of either the date at which a commitment for performance to earn the equity instrument is reached or the date the performance is complete.

The Company recognizes compensation expense for stock awards with service conditions on a straight-line basis over the requisite service period, which is included in operations. Stock option expense is recognized over the option's vesting period.

Concentrations of Credit Risk

The Company maintains cash at financial institutions, which at times, may be in excess of insured limits. The Company has not experienced any losses to date as a result of this policy and, in assessing its risk, the Company's policy is to maintain cash only with reputable financial institutions. As of December 31, 2018, the Company's bank operating account balances exceeded the Federal Deposit Insurance Corporation Insurance Limit of $250,000 by $2,774,202.

Recent Accounting Pronouncements

In January 2016, FASB issued an ASU, Subtopic 825-10, to amend certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Most prominent among the amendments is the requirement for changes in fair value of equity investments, with certain exceptions, to be recognized through profit or loss rather than other comprehensive income. The Company adopted the standard October 1, 2018. There was no impact on the Company's financial statements from the adoption of this amendment.

In January 2016, FASB issued ASU 2016-01 to amend certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Most prominent among the amendments is the requirement for changes in fair value of equity investments, with certain exceptions, to be recognized through profit or loss rather than other comprehensive income. The new standard was effective for the Company beginning October 1, 2018. The standard did not have any impact on the Company's financial statements.

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2018

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recent Accounting Pronouncements (cont'd)

In February 2016 FASB issued ASU No. 2016-02, Leases (Topic 842) which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and the lessors. The new standard requires the lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. The classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. The standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. When adopted, the Company does not expect this guidance to have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13 to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss credit loss estimates. For trade and other receivables, loans and other financial instruments, the Company will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. Credit losses relating to available for sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. The new standard will be effective for the Company beginning October 1, 2020, with early adoption permitted. Application of the amendments is through a cumulative-effect adjustment to deficit as of the effective date. The Company is currently assessing the impact of the standard on its consolidated financial statements.

NOTE 4. PURCHASE OF DIGIFONICA

The Company acquired Digifonica in December 2013. Pursuant to the terms in the Share Purchase Agreement (the "SPA") the Company acquired 100% of Digifonica from the seller, the CEO of the Company (the "Seller"), for a cash payment of $800,000 and 389,023,561 common shares of the Company. The assets acquired through the acquisition were VoIP-related patented technology, including patents for Lawful Intercept, routing, billing and rating, mobile gateway, advanced interoperability solutions, intercepting voice over IP communications, and uninterrupted transmission of internet protocol transmissions during endpoint changes.

The SPA included an anti-dilution clause (the "Anti-Dilution Clause") that requires the Company to maintain the Seller's percentage ownership of the Company at 40% by issuing the Seller a proportionate number of common shares of any future issuance of the Company's common shares. Shares issued pursuant to the Anti-Dilution Clause are recorded as a share issuance cost within the Additional Paid-in Capital account (Notes 7 and 9).

NOTE 5. FIXED ASSETS

A summary of the Company's fixed assets as of December 31, 2018 and September 30, 2018 is as follows:

	December 31, 2018	September 30, 2018
Office furniture & computers	$ 11,917	$ —
Accumulated depreciation	(188)	—
Net book value	$ 11,729	$ —

There were no retirements of any fixed assets in the periods presented.

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2018

NOTE 6. INTANGIBLE ASSETS

The Company acquired certain patents and technology from Digifonica in December 2013 (see Note 4). These assets have been recorded in the financial statements as intangible assets. These assets are being amortized over twelve (12) years on a straight-line basis. A summary of intangible assets as of December 31, 2018 and September 30, 2018 is as follows:

	December 31, 2018	September 30, 2018
VoIP Intellectual property and patents	$1,552,416	$1,552,416
Accumulated amortization	(669,417)	(634,866)
Net book value	$882,999	$917,550

There were no disposals of any intangible assets in the periods presented.

NOTE 7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company compensates certain of its key management personnel to operate its business in the normal course. Key management includes the Company's executive officers and members of its Board of Directors.

Compensation paid or accrued to key management for services during the periods ended December 31 includes:

	December 31, 2018	December 31, 2017
Management fees paid to the CEO	$ 36,000	$ 22,500

Management fees paid to the CFO	21,600	21,600
Management fees paid to the President	15,000	9,000
Fees paid or accrued to Directors	18,000	Nil
	$ 90,600	$ 53,100

During the three-month period ended December 31, 2018 the Company issued 1,650,000 common shares for a value of $66,000, accrued 450,000 common shares to be issued valued at $18,000 and paid cash of $6,600 for key management compensation as shown in the above table. The Company also issued 90,000,000 (December 31, 2017 – Nil) common shares as bonus compensation to three Directors of the Company which were recorded as an expense to the Company of $3,600,000 (Notes 9 and 11), and 10,000,000 (December 31, 2017 – Nil) common shares at a value of $200,000 to the CEO as additional compensation.

As at December 31, 2018, included in shares to be issued is $434,000 (September 30, 2018 - $416,000) for unpaid Director fees. As at December 31, 2018, Nil (September 30, 2018 – 126,655,791) common shares are accrued to the Seller of Digifonica for the Anti-Dilution Clause. Additionally, 225,184,791 common shares were issued during the three-month period ended December 31, 2018 (December 31, 2017 – Nil) to the Seller of Digifonica pursuant to the Anti-Dilution Clause (Notes 4 and 9).

During the year ended September 30, 2018, 10,000,000 common shares were returned to the treasury from an officer of the Company at a per share price of $0.003 ($31,542) on the unwinding of a loan conversion transaction and the associated forgiveness of a loan to the Company provided by the officer dating from 2014.

NOTE 8. SUPPLEMENTAL CASH FLOW INFORMATION

During the three-month period ended December 31, 2018, the Company paid $nil (September 30, 2018 - $nil) in interest or income taxes.

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2018

NOTE 9. SHARE CAPITAL

Capital Stock Authorized and Issued:

- 3,000,000,000 (September 30, 2018 – 2,000,000,000) common voting shares authorized with a par value of $0.001 each, of which 2,053,175,963 (September 30, 2018 – 1,575,001,801) shares are issued.

- 1,000,000 convertible preferred shares authorized with a par value of $0.01 each, of which nil (2018 – nil) shares are issued.

During the three-month period ended December 31, 2018, the board of directors of the Company authorized the increase of the Company's capital stock to up to 3,000,000,000 common voting shares with a par value of $0.001 per share.

Issues during the three-month period ended December 31, 2018

During the three-month period ended December 31, 2018, the Company issued:

- 8,556,000 common shares for cash proceeds of $342,240 from private placements, as follows;

  - 2,250,000 common shares priced at $0.04 per common share for cash proceeds of $90,000 from a private placement of common shares; and

  - 6,306,000 common shares priced at $0.04 per common share for cash proceeds of $252,240 from the exercise of 6,306,000 common share purchase warrants;

- 12,237,500 common shares priced between $0.02 and $0.04 per common share for services with an aggregate value of $286,500 (September 30, 2018 - $477,320), and accrued 450,000 shares to be issued valued at $18,000 for services received;

- 127,000,000 common shares issued as bonus compensation, recorded as an expense to the Company of $5,080,000 (Note 11); and

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225,184,791 common shares priced between $0.003 and $0.04 per common share pursuant to the Anti-Dilution Clause for a value of $5,124,641 (Note 4 and 6).

Issues during the year ended September 30, 2018

During the year ended September 30, 2018, the Company issued:

- 113,453,749 common shares for cash proceeds of $3,402,060 from private placements, as follows;
  - 107,147,749 common shares priced between $0.015 and $0.06 per common share for cash proceeds of $3,303,940 from a private placement of common shares; and
  - 6,306,000 units at between $0.013 and $0.02 per unit for cash proceeds of $98,120. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant allows the holder to purchase one common share for $0.04 for a period of twelve months from the date of issuance;
- 50,125,000 common shares at $0.04 per common share for cash proceeds of $2,005,000 on the exercise of 50,125,000 common share purchase warrants;
- 104,313,833 common shares priced at between $0.02 and $0.06 per common share for services with an aggregate value of $4,467,917, of which $585,721 (September 30, 2017 - $Nil) was in settlement of Shares to be issued; and
- 174,983,685 common shares priced at $0.038 per common share pursuant to the Anti-Dilution Clause for a value of $6,649,380 (Note 4 and 6).

During the year ended September 30, 2018, 10,000,000 common shares were returned to the treasury at $0.003 per share with an aggregate value of $31,542 (Note 7).

<u>*Subsequent Issues*</u>

Subsequent to the three-month period ended December 31, 2018, the Company issued 2,575,000 common shares priced at $0.04 per share for cash proceeds of $103,000 from a private placement of common shares.

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2018

NOTE 9. SHARE CAPITAL (CONT'D)

Shares to be Issued

As at December 31, 2018, there are 13,267,523 (September 30, 2018 – 12,817,523) common shares to be issued that are accrued for services provided to the Company valued at $495,320 (September 30, 2018– $477,320), of which 11,290,000 (September 30, 2018– 10,840,000) valued at $434,000 (September 30, 2018 - $416,000) are accrued to management and related parties (see Note 7).

As at December 31, 2018, there are Nil (September 30, 2018 – 126,655,791) common shares to be issued that are accrued to the seller of Digifonica pursuant to the Anti-Dilution Clause (see Notes 4 and 7), valued at $nil (September 30, 2018 - $4,812,920).

Warrants

During the three-month period ended December 31, 2018, the Company issued no new warrants.

During the period ended December 31, 2018, 6,306,000 common share purchase warrants were exercised to purchase 6,306,000 common shares in the capital stock of the Company at a price of $0.04 per common share.

As of December 31, 2018, there were no outstanding warrants to be exercised.

The following table summarizes the Company's share purchase warrant transactions:

	Number of warrants	Weighted average exercise

		price
Balance September 31, 2017	61,500,500	$0.04
Issued	6,306,000	0.04
Exercised	(50,125,000)	0.04
Expired	(11,375,500)	0.04
Balance September 31, 2018	6,306,000	$0.04
Issued	Nil	N/A
Exercised	(6,306,000)	0.04
Expired	Nil	N/A
Balance December 31, 2018	**Nil**	**N/A**

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VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2018

NOTE 10. STOCK-BASED COMPENSATION

Stock Option Plan

In order to provide incentive to directors, officers, management, employees, consultants and others who provide services to the Company or any subsidiary (the "Service Providers") to act in the best interests of the Company, and to retain such Service Providers, the Company has in place an incentive Stock Option Plan (the "Plan") whereby the Company is authorized to issue up to 10% of its issued and outstanding share capital in options to purchase common shares of the Company. The maximum term of options granted under the Plan cannot exceed ten years, with vesting terms determined at the discretion of the Board of Directors.

The following table summarizes the Company's stock option transactions:

	Number of options	**Weighted average exercise price**
Balance September 30, 2017	39,850,000	$ 0.058
Granted	18,500,000	0.18
Cancelled	(18,500,000)	(0.18)
Balance September 30, 2018	39,850,000	$ 0.058
Granted	10,000,000	0.065
Cancelled	—	—
Balance December 31, 2018	49,850,000	$ 0.060

The following table summarizes the stock options outstanding at December 31, 2018:

Options Outstanding	Exercise Price	Remaining Contractual Life (Yrs)	Number of Options Currently Exercisable
14,000,000	$0.060	2.48	14,000,000
14,000,000	0.060	2.68	14,000,000
3,450,000	0.060	2.82	3,450,000
8,400,000	0.050	3.30	8,400,000
10,000,000	0.065	4.98	—
49,850,000	$0.058	3.29	39,850,000

The following assumptions were used for the Black-Scholes valuation of stock options granted during the three-month period ended December 31, 2018: risk-free rate of 1.62% (2017 – N/A), expected life of 5 years (2017 – N/A), annualized historical volatility of 138.8% (2017 – N/A) and a dividend rate of 0% (2017 – N/A). Expected volatilities are based on historical volatility of the Company's stock and other factors. The compensation cost that has been charged against income from options vested under the Plan was $nil for the three-month period ended December 31, 2018 (December 31, 2017 – $nil) as none of the options granted were currently vested.

The weighted-average grant-date fair value of options granted during the three-month period ended December 31, 2018 was $0.07 (2017 - $nil). The total intrinsic value of options exercised during the period ended December 31, 2018 was $nil (2017 - $nil).

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2018

NOTE 11. CONTINGENT LIABILITIES

Litigation

The Company is party to pending litigation cases as follows:

i) Locksmith Financial Corporation, Inc. et al. v Voip-Pal.com Inc. (Case No A-15-717491-C) filed in Clark County District Court (the "State Case")

On March 24, 2014, the Company resolved to freeze 95,832,000 common shares that were issued to a company controlled by a former director (the "defendant") in fiscal 2013 and accounted for at a cost of $1,443,000. The Company resolved to freeze the common shares as the Company believes that the shares were issued as settlement of a line of credit that the Company believes to have been legally unsupported. The defendant alleges that the freeze and the Company's actions constituted fraud and a breach of securities laws. The Company denies any wrongdoing. Currently the State Case is entering the discovery phase of litigation and the outcome is undeterminable.

ii) Voip-Pal.com Inc. v. Richard Kipping, et al. (Case No. 2:15-cv-01258-JAD-VCF) filed in United States District Court (the "Federal Case")

On July 2, 2015, the Company filed a case against a former director, a shareholder and the company controlled by a former director. The Company alleges that the common shares issued in the State Case and an additional 7,200,000 common shares were fraudulently obtained and that the shares have been unlawfully transferred to other entities. The proceedings in the Federal Case have been stayed pending a final determination of the issues in the State Case. The outcome of the case is undeterminable.

iii) Voip-Pal.com Inc. v. Apple, Inc. (Case No. 2:16-CV-00260) & Verizon Wireless Services, LLC, Verizon Communications Inc., AT&T Corp. (Case No. 2:16- VC-00271) in the United States District Court, District of Nevada

In February 2016 the Company filed patent infringement lawsuits in the United States District Court, District of Nevada against Apple, Inc, (Case No. 2:16-CV-00260), Verizon Wireless Services, LLC, Verizon Communications Inc., and AT&T Corp. (Case No. 2:16- VC-00271). These cases are seeking a combined $7,024,377,876 in damages. On May 9, 2016, the lawsuits were officially served to these companies. The proceedings in these cases were temporarily stayed, by agreement with the parties thereto, pending the outcome of two *Inter Partes* Reviews ("IPRs"), as noted below, and the cases were subsequently transferred to the U.S. District Court for the Northern District of California. The outcome of each of these legal actions is undeterminable.

iv) Voip-Pal.com Inc. v. Twitter, Inc. (Case No. 2:16-CV-02338) in the United States District Court, District of Nevada

During the period ended September 30, 2017, on October 6, 2016, the Company filed a lawsuit in the United States District Court, District of Nevada against Twitter, Inc, (Case No. 2:16- CV-02338) in which Voip-Pal.com alleges infringement of U.S. Patent No. 8,542,815 and its continuation patent, U.S. Patent No. 9,179,005, This case is seeking $3,200,000,000 in damages. On December 28, 2016, the lawsuit was officially served to Twitter, Inc. On February 28, 2018, Twitter filed a motion to transfer its case based on improper venue and the case was subsequently transferred to the U.S. District Court for the Northern District of California, where it remains pending. The outcome of this case is undeterminable.

v) Voip-Pal.com Inc. v. Amazon.com, Inc. et al. (Case No. 2:18-CV-01076) in the United States District Court, District of Nevada

During the period ended December 31, 2018, in June 2018, the Company filed a lawsuit in the United States District Court, District of Nevada, against Amazon.com, Inc. and certain related entities, alleging infringement of U.S. Patent Nos. 9,537,762, 9,813,330, 9,826,002 and 9,948,549. In November 2018, the case was transferred to the U.S. District Court for the Northern District of California, where it remains pending. The outcome of this case is undeterminable.

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2018

NOTE 11. CONTINGENT LIABILITIES (CONT'D)

Litigation ***(cont'd)***

Inter Partes Reviews

In additional legal actions related to Item iii above, two of the Company's patents have been subject to challenge in several *Inter Partes* Review ("IPR") petitions filed before the Patent Trial and Appeal Board ("PTAB") of the United States Patent and Trademark Office ("USPTO"). An IPR is a post-grant patent review process allowing the PTAB to consider the validity of issued patents. There are no damages awarded, but a portion or all of a patent's claims instituted for IPR may be invalidated as a result of the review.

More particularly, a total of eight IPRs, filed against Patent No. 8,542,815 and No. 9,179,005, were either in process before the PTAB or had been resolved, as follows:

- Unified Patents Inc. (Petitioner) vs. Voip-Pal.com Inc. (Patent Owner), IPR2016-01082, filed May 24, 2016, requesting *inter partes* review of U.S. Patent No. 8,542,815. On November 18, 2016, the PTAB denied institution of this petition;
- Apple, Inc. (Petitioner) vs. Voip-Pal.com Inc. (Patent Owner), IPR2016-01198, reviewing Patent No. 9,179,005 and Voip-Pal.com Inc. (Patent Owner), IPR2016-01201, reviewing Patent No. 8,542,815, both instituted for IPR on November 21, 2016;
- AT&T Inc. (Petitioner) filed IPR2017-01382 against Voip-Pal's Patent No. 8,542,815, IPR2017-01383 against Voip-Pal's Patent No. 9,179,005, and IPR2017-01384 against Voip-Pal's Patent No. 9,179,005 on May 8, 2017, each of which was subsequently denied institution; and
- Apple Inc. (Petitioner) filed IPR2017-01399 against Voip-Pal's Patent No. 8,542,815, and IPR2017-01398 against Voip-Pal's Patent No. 9,179,005 on May 9, 2017, each of which was subsequently denied institution.

During the year ended September 30, 2018, the PTAB considered the aforesaid IPRs, and on November 20, 2017, the PTAB issued its findings on the seven active IPRs being adjudicated, denying institution of the IPRs with respect to all claims challenged by the Petitioners (Apple Inc, and AT&T Inc.). Subsequent to that ruling, in December 2017, Apple filed a post-judgment motion in IPR2016-01198 and IPR2016-01201, seeking invalidation of the challenged claims as sanctions against the Company.

On December 21, 2018, a new panel of the PTAB ruled on Apple's sanctions motion, declining to grant Apple's request to invalidate the challenged claims and declining to grant Apple's request for entirely new proceedings to replace the existing panel of judges with a new panel or with judges that would consider any request for rehearing by Apple as a sanction against VoIP-Pal. If Apple chooses to file a motion for rehearing, the outcome of the Petitioner's motion is undeterminable.

Performance Bonus Payable

In 2016, the board of directors authorized the Company to provide a performance bonus (the "Performance Bonus") of up to 3% of the capital stock of the Company by way of the issuance of Common shares from its treasury to an as yet undetermined group of related and non-related parties upon the occurrence of a bonusable event, defined as the successful completion of a sale of the Company or substantially all its assets, or a major licensing transaction. In order to provide maximum flexibility to the Company with respect to determining the level of Performance Bonus payable, and who may qualify to receive a pro-rata share of such a Performance Bonus, the Company authorized full discretion to the Board in making such determinations.

During the period ended September 30, 2018, the board of directors authorized the increase of the Performance Bonus to up to 10% of the capital stock of the Company.

As at December 31, 2018, no bonusable event had occurred and there was no Performance Bonus payable.

During the period ended December 31, 2018, the board of directors resolved to reduce the Performance Bonus from 10% to 3.33% of the issued and outstanding capital stock of the Company. Concurrently, the board of directors authorized the payment of Common shares ("Bonus Shares") in an equivalent percentage to the 6.67% reduction to the Performance Bonus to a group of related and non-related parties, which included members of management, a director and several consultants, who received an aggregate 127,000,000 Bonus Shares (Note 9). The Bonus Shares are restricted from trading under Rule 144 and are also subject to voluntary lock-up agreements, pursuant to which they cannot be traded, pledged, hypothecated, transferred or sold by the holders until such time as the Company has met the requirements of the bonusable event as described above.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis (MD&A) should be read in conjunction with our interim consolidated financial statements for the three-month period ended December 31, 2018 and notes thereto appearing elsewhere in this report, and our audited consolidated financial statements for the year ended September 30, 2018 and notes thereto.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A for the period ending December 31, 2018 contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amending, and Section 21E of the Securities Exchange Act of 1934, as amending. Forward-looking statements may be identified by the use of forward-looking terminology, such as "may", "shall", "could", "expect", "estimate", "anticipate", "predict", "probable", "possible", "should", "continue", or similar terms, v those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management on the basis of assumptions made by management and are considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

The assumptions used for purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. To the extent that the assumed events do not occur, the outcome may vary substantially from anticipated or projected results, and, accordingly, no opinion is expressed on the achievability of those forward-looking statements. No assurance can be given that any of the assumptions relating to the forward-looking statements specified in the following information are accurate, and we assume no obligation to update any such forward-looking statements

CORPORATE HISTORY, OVERVIEW AND PRINCIPAL BUSINESS

VOIP-PAL.com Inc. ("Voip-Pal", the "Company") was incorporated in the state of Nevada in September 1997 as All American Casting International, Inc. and changed its name to VOIP MDI.com in 2004 and subsequently to Voip-Pal.Com Inc. in 2006. Since March 2004, the Company has been in the development stage of becoming a Voice-over-Internet Protocol ("VoIP") re-seller, a provider of a proprietary transactional billing platform tailored to the points and air mile business, and a provider of anti-virus applications for smartphones. All business activities prior to March 2004 have been abandoned and written off to deficit.

In 2013, Voip-Pal acquired Digifonica International (DIL) Limited (“Digifonica”), to fund and co-develop Digifonica’s patent suite. Digifonica had been founded in 2003 with the vision that the internet would be the future of all forms of telecommunications - a team of twenty top engineers with expertise in Linux and Internet telephony developed and wrote a software suite with applications that provided solutions for several core areas of internet connectivity. In order to properly test the applications, Digifonica built and operated three production nodes in Vancouver, Canada (Peer 1), London, UK (Teliasonera), and Denmark. Upon successfully developing the technology, Digifonica filed for patents with the United States Patent and Trademark Office (“USPTO”).

The Digifonica patents formed the basis for Voip-Pal’s current intellectual property, now a worldwide portfolio of twenty-six issued and pending patents primarily designed for the broadband VoIP market.

Voip-Pal’s intellectual property value is derived from its issued and pending patents. Voip-Pal inventions described in these patents, among other things, provide the means to integrate VoIP services with legacy telecommunications systems such as the public switched telephone network (PSTN) to create a seamless service using either legacy telephone numbers or IP addresses, and enhance the performance and value of VoIP implementations worldwide.

VoIP has been and continues to be a green field for innovation that has spawned numerous inventions, greatly benefitting consumers large and small across the globe. VoIP is used in many places and by every modern telephony system vendor, network supplier, and retail and wholesale carrier.

Results of Operations

The Company’s operating costs consist of expenses incurred to monetizing, selling and licensing its VoIP patents. Other operating costs include expenses for legal, accounting and other professional fees, financing costs, and other general and administrative expenses.

Comparison of the Three Months Ending December 31, 2018 and 2017

	Three months ending December 31		Increase/	
	2018	2017	(Decrease)	Percent
Revenue	$—	$—	$—	—
Cost of Revenue	—	—	—	—
Gross Margin	—	—	—	—
General and administrative expenses	(5,836,665)	(630,541)	5,206,124	826 %
Amortization & depreciation	(34,738)	(34,550)	188	1 %
Net loss	$(5,871,403)	$(665,091)	$5,206,312	783 %

REVENUES, COST OF REVENUES AND GROSS MARGIN

The Company had no revenues, cost of revenues or gross margin for the three months ending December 31, 2018 and 2017.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months ending December 31, 2018 totaled $5,836,665 compared to $630,541 during the same period in 2017. The increase in general and administrative expenses of $5,206,124, or 826% more than the previous year, was primarily due to an increase in share-based bonuses paid by the Company and patent consulting fees.

AMORTIZATION AND DEPRECIATION

Amortization of intellectual VoIP communications patent properties and depreciation of capital equipment for the three months ending December 31, 2018 totaled $34,738 compared to $34,550 during the same period in 2017. There was a small increase in depreciation expense due to the acquisition of capital equipment during the period.

The Company follows GAAP (FAS 142) and is amortizing its intangibles over the remaining patent life of twelve (12) years. The Company evaluates its intangible assets annually and determines if the fair market value is less than its historical cost. If the fair market value is less, then impairment expense is recorded on the Company's financial statements. The intangible assets on the financial statements of the Company relate primarily to the Company's acquisition of Digifonica (International) Limited.

INTEREST EXPENSE

The Company had no financing or interest costs for the three months ending December 31, 2018 and 2017.

NET LOSS

The Company reported a net loss of $5,871,403 for the three months ending December 31, 2018 compared to a net loss of $665,091 for the same period in 2017. The net loss increase of $5,206,312, or 783% over the same period in 2017, was primarily due to an increase in patent consulting fees and share-based bonuses paid to executives of the Company.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2018, the Company had an accumulated deficit of $48,519,767 as compared to an accumulated deficit of $34,911,906 at December 31, 2017. As of December 31, 2018, the Company had a working capital surplus of $3,267,499 as compared to a working capital surplus of $1,149,547 at December 31, 2017. The increase in the Company's working capital of $2,117,952 was primarily due to an increase in cash on hand received from private placements of common stock and exercise of warrants as compared to the previous period.

Net cash used by operations for the three months ending December 31, 2018 and 2017 was $481,644 and $603,193, respectively. The decrease in net cash used for operations for the three months ending December 31, 2018 as compared to the three-months ending December 31, 2017 was primarily due to a decrease in cash expenditures for patent-related legal and professional fees and services.

Net cash used in investing activities for the three months ending December 31, 2018 and 2017 was $11,917 and $nil. Net cash provided in financing activities for the three months ending December 31, 2018 and 2017 was $342,240 and $1,970,093, respectively. The decrease in net cash provided by financing activities of $1,627,853 was primarily due to a decrease in cash proceeds received from private placement of common shares and exercise of warrants during the three- month period ended December 31, 2018.

Liquidity

The Company primarily finances its operations from cash received through the private placements of its common stock and the exercise of warrants from investors and through the payment of stock-based compensation. The Company believes its resources are adequate to fund its operations for the next twelve months.

Off Balance Sheet Arrangements

Performance Bonus Payable

In 2016, the board of directors authorized the Company to provide a performance bonus (the “Performance Bonus”) of up to 3% of the capital stock of the Company by way of the issuance of Common shares from its treasury to an as yet undetermined group of related and non-related parties upon the occurrence of a bonusable event, defined as the successful completion of a sale of the Company or substantially all its assets, or a major licensing transaction. In order to provide maximum flexibility to the Company with respect to determining the level of Performance Bonus payable, and who may qualify to receive a pro-rata share of such a Performance Bonus, the Company authorized full discretion to the Board in making such determinations.

During the period ended September 30, 2018, the board of directors authorized the increase of the Performance Bonus to up to 10% of the capital stock of the Company.

As at December 31, 2018, no bonusable event had occurred and there was no Performance Bonus payable.

During the period ended December 31, 2018, the board of directors resolved to reduce the Performance Bonus from 10% to 3.33% of the issued and outstanding capital stock of the Company. Concurrently, the board of directors authorized the payment of Common shares (“Bonus Shares”) in an equivalent percentage to the 6.67% reduction to the Performance Bonus to a group of related and non-related parties, which included members of management, a director and several consultants, who received an aggregate 127,000,000 Bonus Shares. The Bonus Shares are restricted from trading under Rule 144 and are also subject to voluntary lock-up agreements, pursuant to which they cannot be traded, pledged, hypothecated, transferred or sold by the holders until such time as the Company has met the requirements of the bonusable event as described above.

Impact of Inflation

We believe that inflation has not had a material impact on our results of operations for the three months ending December 31, 2018. We cannot assure you that future inflation will not have an adverse impact on our operating results and financial condition.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring. In management's assessment of the effectiveness of internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) as required by Exchange Act Rule 13a-15(c), our management concluded as of the end of the fiscal period covered by this Quarterly Report on Form 10-Q that our internal control over financial reporting has not been effective. The company intends, as the company's finances improve, to hire additional accounting staff and implement additional controls.

As defined by Auditing Standard No. 5, “An Audit of Internal Control Over Financial Reporting that is Integrated with an Audit of Financial Statements and Related Independence Rule and Conforming Amendments,” established by the Public Company Accounting Oversight Board ("PCAOB"), a material weakness is a deficiency or combination of deficiencies that results more than a remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected. In connection with the assessment described above, management identified the following control deficiencies that represent material weaknesses as of December 31, 2018:

1) Lack of segregation of duties. At this time, our resources and size prevent us from being able to employ sufficient resources to enable us to have adequate segregation of duties within our internal control system. Management will periodically reevaluate this situation.

2) Lack of an independent audit committee. Although the Board of Directors serves as an audit committee it is not comprised solely of independent directors. We may establish an audit committee comprised solely of independent directors when we have sufficient capital resources and working capital to attract qualified independent directors and to maintain such a committee.

3) Insufficient number of independent directors. At the present time, our Board of Directors does not consist of a majority of independent directors, a factor that is counter to corporate governance practices as set forth by the rules of various stock exchanges.

Our management determined that these deficiencies constituted material weaknesses. Due to a lack of financial resources, we are not able to, and do not intend to, immediately take any action to remediate these material weaknesses. We will not be able to do so until we acquire sufficient financing to do so. We will implement further controls as circumstances, cash flow, and working capital permit. Notwithstanding the assessment that our ICFR was not effective and that there were material weaknesses as identified in this report, we believe that our financial statements fairly present our financial position, results of operations and cash flows for the years covered thereby in all material respects.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer, to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Internal Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving our objectives and our Chief Executive Officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting during the quarter ended December 31, 2018 that have materially affected or are reasonably likely to materially affect such controls.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Other than noted below, there have been no material developments during the current quarter for our legal proceedings that were disclosed in our registration statement on Form 10 filed on April 22, 2016. For a full disclosure of legal proceedings, please reference our Form 10 registration or Note 11 of the Financial Statements contained in this report.

i) Locksmith Financial Corporation, Inc. et al. v Voip-Pal.com Inc. (Case No A-15-717491-C) filed in Clark County District Court (the "State Case")

On March 24, 2014, the Company resolved to freeze 95,832,000 common shares that were issued to a company controlled by a former director (the "defendant") in fiscal 2013 and accounted for at a cost of $1,443,000. The Company resolved to freeze the common shares as the Company believes that the shares were issued as settlement of a line of credit that the Company believes to have been legally unsupported. The defendant alleges that the freeze and the Company's actions constituted fraud and a breach of securities laws. The Company denies any wrongdoing. Currently the State Case is entering the discovery phase of litigation and the outcome is undeterminable.

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In February 2016 the Company filed patent infringement lawsuits in the United States District Court, District of Nevada against Apple, Inc, (Case No. 2:16-CV-00260), Verizon Wireless Services, LLC, Verizon Communications Inc., and AT&T Corp. (Case No. 2:16- VC-00271). These cases are seeking a combined $7,024,377,876 in damages. On May 9, 2016, the lawsuits were officially served to these companies. The proceedings in these cases were temporarily stayed, by agreement with the parties thereto, pending the outcome of two *Inter Partes* Reviews ("IPRs"), as noted below, and the cases were subsequently transferred to the U.S. District Court for the Northern District of California. The outcome of each of these legal actions is undeterminable.

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Inter Partes Reviews

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More particularly, a total of eight IPRs, filed against Patent No. 8,542,815 and No. 9,179,005, were either in process before the PTAB or had been resolved, as follows:

- Unified Patents Inc. (Petitioner) vs. Voip-Pal.com Inc. (Patent Owner), IPR2016-01082, filed May 24, 2016, requesting *inter partes* review of U.S. Patent No. 8,542,815. On November 18, 2016, the PTAB denied institution of this petition;
- Apple, Inc. (Petitioner) vs. Voip-Pal.com Inc. (Patent Owner), IPR2016-01198, reviewing Patent No. 9,179,005 and Voip-Pal.com Inc. (Patent Owner), IPR2016-01201, reviewing Patent No. 8,542,815, both instituted for IPR on November 21, 2016;
- AT&T Inc. (Petitioner) filed IPR2017-01382 against Voip-Pal's Patent No. 8,542,815, IPR2017-01383 against Voip-Pal's Patent No. 9,179,005, and IPR2017-01384 against Voip-Pal's Patent No. 9,179,005 on May 8, 2017, each of which was subsequently denied institution; and
- Apple Inc. (Petitioner) filed IPR2017-01399 against Voip-Pal's Patent No. 8,542,815, and IPR2017-01398 against Voip-Pal's Patent No. 9,179,005 on May 9, 2017, each of which was subsequently denied institution.

During the year ended September 30, 2018, the PTAB considered the aforesaid IPRs, and on November 20, 2017, the PTAB issued its findings on the seven active IPRs being adjudicated, denying institution of the IPRs with respect to all claims challenged by the Petitioners (Apple Inc, and AT&T Inc.). Subsequent to that ruling, in December 2017, Apple filed a post-judgment motion in IPR2016-01198 and IPR2016-01201, seeking invalidation of the challenged claims as sanctions against the Company.

On December 21, 2018, a new panel of the PTAB ruled on Apple's sanctions motion, declining to grant Apple's request to invalidate the challenged claims and declining to grant Apple's request for entirely new proceedings to replace the existing panel of judges with a new panel or with judges that would consider any request for rehearing by Apple as a sanction against VoIP-Pal. If Apple chooses to file a motion for rehearing, the outcome of the Petitioner's motion is undeterminable.

Item 1A. Risk Factors.

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The transactions described in this section were exempt from securities registration as provided by Section 4(a)(2) of the Securities Act for transactions not involving a public offering for sales within the United States and by Regulation S of the Securities Act for sales made outside of the United States.

During the period ended December 31, 2018, the Company issued: 12,237,500 common shares priced at $0.04 per common share for services with an aggregate value of $307,500; 127,000,000 common shares as bonus compensation, recorded as an expense to the Company of $5,080,000; and 225,184,791 common shares priced between $0.003 and $0.04 per common share pursuant to the Anti-Dilution Clause.

During the period ended December 31, 2018, the Company issued 2,250,000 common shares priced at $0.04 per common share for cash proceeds of $90,000 from private placements of common shares; 6,306,000 common shares priced at $0.04 per common share for cash proceeds of $252,240 from the exercise of 6,306,000 common share purchase warrants.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description of Exhibits	
31.1	Rule 13a-14(a) Certification of CEO	Filed herewith
31.2	Rule 13a-14(a) Certification of CFO	Filed herewith
32.1	Section 1350 Certification	Filed herewith
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATED: February 13, 2019 *By: /s/ Emil Malak*
Emil Malak
Chief Executive Officer

DATED: February 13, 2019 *By: /s/ D. Barry Lee*
D. Barry Lee
Chief Financial Officer