Voip-pal.com Inc
Form 10-Q
February 10, 2017

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, 2016

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

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 10, 2017, there were 1,080,312,534 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, 2016 (unaudited)	September 30, 2016
ASSETS		
CURRENT		
Cash	$67,119	$121,115
Legal retainer	100,000	100,000
Prepaid expense	48,750	71,250
	215,869	292,365
NON-CURRENT		
Intellectual VoIP communications patent properties, net (Note 5)	1,159,393	1,193,941
TOTAL ASSETS	$1,375,262	$1,486,306
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$87,902	$243,337
TOTAL LIABILITIES	$87,902	$243,337
STOCKHOLDERS’ EQUITY		
SHARE CAPITAL (Note 9)	$948,821	$933,108

ADDITIONAL PAID-IN CAPITAL (Note 9)	31,444,240	30,882,963
SHARES TO BE ISSUED (Note 9)	1,063,041	1,063,041
DEFICIT	(32,168,742)	(31,636,143)
	1,287,360	1,242,969
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,375,262	$1,486,306

Nature and Continuance of Operations (Note 1)
Contingent Liabilities (Note 12)

The accompanying notes are an integral part of these 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, 2016	Three Months Ended December 31, 2015
EXPENSES		
Amortization	$ 34,548	$ 25,186
Officers and Directors Fees (Note 6)	53,100	568,000
Legal fees (Note 6)	89,619	13,959
Office & general	67,362	81,617
Patent consulting fees	90,000	—
Professional fees & services (Note 6)	80,880	23,415
Stock-based compensation (Note 10)	117,090	—
Total expenses	532,599	712,177
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (532,599)	$ (712,177)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)
Weighted-average number of common shares outstanding:		
Basic and diluted	1, 064,989,925	1,001,004,451

The accompanying notes are an integral part of these 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, 2016	Three Months Ended December 31, 2015
Cash Flows from Operating Activities		
Net loss for the period	$(532,599)	$(712,177)
Add items not affecting cash:		
Stock-based compensation	117,090	—
Shares issued for services and finder's fees	112,400	555,000
Amortization	34,548	25,186
Changes in non-cash working capital:		
Prepaid expense	22,500	—
Accounts payable	(155,435)	(21,885)
Cash Flows Used in Operating Activities	(401,496)	(153,876)
Cash Flows from Investing Activities		
Investment in Intangible assets	—	(174,222)
Cash Flows Used in Investing Activities	—	(174,222)
Cash Flows from Financing Activities		
Proceeds from convertible debentures	72,500	35,814
Proceeds from private placement	275,000	—
Cash Flows Provided by Financing Activities	347,500	35,814
Increase (decrease) in cash	(53,996)	(292,284)
Cash, beginning of the year	121,115	773,275
Cash, end of the year	$67,119	$480,991

Supplemental cash flow information – Note 7

The accompanying notes are an integral part of these 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)

	Common Shares		Shares to be Issued	Additional Paid-in		
	Number	Par Value	Value	Capital	Deficit	Total
Balance at September 30, 2015	1,019,658,368	$896,292	$846,721	$28,357,610	$(28,162,038)	$1,938,585
Shares issued for debt conversion	1,840,000	1,840	(87,000)	91,160	—	6,000
Shares issued for services	11,100,000	11,100	—	543,900	—	555,000
Shares to be issued for Anti-Dilution Clause (Notes 4 & 9)	—	—	—	—	—	—
Net loss for the period	—	—	—	—	(712,177)	(712,177)
Balance at December 31, 2015	1,032,598,368	$909,232	$759,721	$28,992,670	$(28,874,215)	$1,787,408
Shares issued in a private placement	10,458,333	10,458	—	370,542	—	381,000
Shares issued as finder's fees	1,126,667	1,127	—	(1,127)	—	—
Shares issued for debt conversion	7,033,333	7,033	—	312,967	—	320,000
Shares issued for services	5,257,500	5,258	303,320	257,617	—	566,195
Shares to be issued for Anti-Dilution Clause (Notes 4 & 9)	—	—	—	—	—	—
Share purchase options granted	—	—	—	950,294	—	950,294
Net loss for the period	—	—	—	—	(2,761,928)	(2,761,928)
Balance at September 30, 2016	1,056,474,201	$933,108	$1,063,041	$30,882,963	$(31,636,143)	$1,242,969
Shares issued for private placement	9,233,333	9,233	—	265,767	—	275,000
Shares issued for debt conversion	2,733,333	2,733	—	69,767	—	72,500
Shares issued for services & finder's fees	3,746,667	3,747	—	108,653	—	112,400
Shares to be issued for Anti-Dilution Clause (Notes 4 & 9)	—	—	—	—	—	—
Share purchase options granted	—	—	—	117,090	—	117,090
Net loss for the period	—	—	—	—	(532,599)	(532,599)
Balance at December 31, 2016	1,072,187,534	$948,821	$1,063,041	$31,444,240	$(32,168,742)	$1,287,360

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

VOIP-PAL.COM INC.

Notes to the Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2016

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 been developing 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 ("Digifonica"), a private company incorporated on September 7, 2004 in Gibraltar.

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, 2016, had an accumulated deficit of $32,168,742 (September 30, 2016 - $31,636,143). 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 may cast significant 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 significant 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, 2016, 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 Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2016

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 $67,119 and $121,115 in cash on December 31, 2016 and September 30, 2016, respectively.

Intangible Assets

Intangible assets, consisting of Intellectual VoIP communication patent properties 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 that are 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, 2016 and September 30, 2016.

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.

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VOIP-PAL.COM INC.

Notes to the Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2016

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, 2016 and the year ended September 30, 2016 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, 2016 the Company's bank operating account balances were less than the Federal Deposit Insurance Corporation Insurance Limit of $250,000.

Recent Accounting Pronouncements

In August 2014, the FASB issued ASU No. 2014-15 "Presentation of Financial Statements-Going Concern." The provisions of ASU No.2014-15 require management to assess an entity's liability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. audit standards. Specifically, the amendments: (1) provide a definition of the term substantial doubt; (2) require evaluation of every reporting period including interim periods; (3) provide principles for considering the mitigating effect of management's plans; (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans; (5) require an express statement and other disclosures when substantial doubt in not alleviated; and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this ASU are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The adoption of this ASU had no impact on the Company's consolidated financial statements.

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VOIP-PAL.COM INC.

Notes to the Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2016

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recent Accounting Pronouncements (cont'd)

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). ASU 2015-17 requires companies to classify all deferred tax assets or liabilities as noncurrent on the balance sheet rather than separately disclosing deferred taxes as current and noncurrent. This standard is effective for the Company beginning on October 1, 2017 and can be applied either prospectively or retrospectively to all periods presented upon adoption. The standard is not expected to have any impact on the Company's financial statements.

In January 2016, FASB issued a new standard 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 will be effective for the Company beginning October 1, 2018. The standard is not expected to have any impact on the Company's financial statements.

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 March 2016, the FASB issued ASU 2016-09, Compensation-Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting. Under ASU 2016-09, companies will no longer record excess tax benefits and certain tax deficiencies in additional paid in capital (“APIC”). Instead, they will record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement and the APIC pools will be eliminated. In addition, ASU 2016-09 eliminates the requirement that excess tax benefits be realized before companies can recognize them. ASU 2016-09 also requires companies to present excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity. Furthermore, ASU 2016-09 will increase the amount an employer can withhold to cover income taxes on awards and still qualify for the exception to liability classification for shares used to satisfy the employer’s statutory income tax withholding obligation. An employer with a statutory income tax withholding obligation will now be allowed to withhold shares with the fair value up to the amount of taxes owed using the maximum statutory rate in the employee’s applicable jurisdiction(s). ASU 2016-09 requires a company to classify the cash paid to a tax authority when shares are withheld to satisfy its statutory income tax withholding obligation as a financing activity on the statement of cash flows. Under current U.S. GAAP, it is not specified how these cash flows should be classified. In addition, companies will now have to elect whether to account for forfeitures on share-based payments by (1) recognizing forfeiture awards as they occur or (2) estimating the number of awards expected to be forfeited and adjusting the estimate when it is likely to change, as in currently required. The amendments of this ASU are effective for reporting periods beginning after December 15, 2016, with early adoption permitted but all of the guidance must be adopted in the same period. The Company is currently assessing the impact the standard will have on its consolidated financial statements.

In June 2016, the FASB issued a new standard 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.

VOIP-PAL.COM INC.

Notes to the Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2016

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 "Seller") for a cash payment of $1,000,000 ($800,000 paid at closing) 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 6 and 9).

NOTE 5. 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, 2016 and September 30, 2016 is as follows:

	December 31, 2016	September 30, 2016
VoIP Intellectual property and patents	$1,552,416	$1,552,416
Accumulated amortization	(393,023)	(358,475)

Net book value	$1,159,393	$1,193,941

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

NOTE 6. RELATED PARTY TRANSACTIONS

Included in accounts payable of $87,902 is $46,500 (September 30, 2016 - $Nil) due to related parties. During the period ended December 31, 2016, the Company paid or accrued $53,100 (2015 - $568,000) to Officers and Directors, of which $Nil (2015 - $500,000) was paid to the CEO by the issuance of Nil (2015 - 10,000,000) common shares. The balance was paid or accrued as follows: CEO fees of $22,500 (2015 – $22,500), CFO fees of $21,600 (2015 - $21,600), President fees of $9,000 (2015 - $9,000) and other Director fees of $Nil (2015 - $14,900). During the period ended December 31, 2016, the Company paid $Nil (2015 - $Nil) for professional fees and services and $Nil (2015 - $13,598) in legal fees paid to a Director in his capacity as legal counsel.

Included in Shares to be issued as at December 31, 2016 is $948,500 (September 30, 2016 - $902,000) for unpaid Officer and Director fees and $80,000 (September 30, 2016 - $80,000) for professional fees & services paid to a director for consulting services provided. Additionally, $1,126,605 (September 30, 2016 - $942,645) is accrued to the Seller of Digifonica for the Anti-Dilution Clause (Note 4).

NOTE 7. SUPPLEMENTAL CASH FLOW INFORMATION

During the period ended December 31, 2016, the Company paid $nil (2015 - $nil) in interest.

NOTE 8. CONVERTIBLE DEBENTURES

The Company routinely issues convertible debentures with no interest rates that are due on demand. The convertible debentures are convertible at fixed conversion rates. See Note 9 for details of common shares issued during the period from the conversion of convertible debentures.

VOIP-PAL.COM INC.

Notes to the Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2016

NOTE 9. SHARE CAPITAL

Capital Stock Authorized and Issued:

– 1,200,000,000 common voting shares authorized with a par value of $0.001 each of which 1,072,187,534 shares are issued

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

Subsequent to the period ended December 31, 2016, the Company increased its authorized common voting shares to 1,300,000,000 with a par value of $0.001.

Issues during the period ended December 31, 2016

During the period ended December 31, 2016, the Company issued 2,733,333 common shares priced between $0.025-$0.03 per common share to convert $72,500 of convertible debentures.

During the period ended December 31, 2016, the Company issued 3,746,667 common shares priced between $0.025-$0.03 per common share for services valued at $90,000 and finder’s fee valued at $22,400.

During the period ended December 31, 2016, the Company issued 9,233,333 common shares at $0.03 per common share for cash proceeds of $275,000 from private placements.

2016 Issues

During the year ended September 30, 2016, the Company issued 8,873,333 common shares priced between $0.03-$0.05 per common share to convert $326,000 of convertible debentures.

During the year ended September 30, 2016, the Company issued 16,357,500 common shares priced between $0.03-$0.05 per common share for services received valued at $1,121,195.

During the year ended September 30, 2016, the Company issued 10,458,333 common shares at $0.04 per common share for cash proceeds of $381,000 from private placements. The Company issued 1,126,667 common shares priced between $0.03 - $0.04 per common share as finder’s fees valued at $39,800.

During the year ended September 30, 2016, the Company issued 10,000,000 common shares at $0.05 per common share to a director of the Company and is included in Officers and Directors fees (Note 6).

Shares to be Issued

As at December 31, 2016, there are 23,353,846 (September 30, 2016 – 23,353,846) common shares to be issued that are accrued for professional services provided to the Company valued at $1,058,320 (September 30, 2016 – $1,058,320), of which 21,281,903 (September 30, 2016 – 21,281,903) common shares are accrued to management and related parties. As at December 31, 2016, $4,721 (September 30, 2016 – $4,721) was included in common shares to be issued for cash received in advance of common shares being issued.

As at December 31, 2016 there are 29,851,452 (September 30, 2016 - 23,566,119) common shares to be issued that are accrued to the seller of Digifonica pursuant to the Anti-Dilution Clause (see Notes 4 and 6), valued at $1,126,605 (September 30, 2016 - $942,645).

Subsequent Issue

Subsequent to the period ended December 31, 2016 the Company issued 8,125,000 units at $0.02 per unit to raise gross proceeds of $162,500 in a private placement, each unit consisting of one Common share and one Common share purchase warrant, each warrant exercisable to purchase one additional Common share at a price of $0.04 per share for a period of six months from the date of issue.

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VOIP-PAL.COM INC.

Notes to the Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2016

NOTE 10. STOCK-BASED COMPENSATION

Stock Option Plan

During the year ended September 30, 2016, 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, it was determined by the board of directors that the Company requires a stock option plan under which it is able to grant incentive stock options to such Service Providers. The Company put 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.

During the period ended December 31, 2016, the Company granted options under the Plan to several of its consultants to purchase 3,450,000 common shares in the capital stock of the Company at an exercise price of $0.06 per common share for a period of five years from the date of grant. 2,700,000 of the options granted vest immediately and are exercisable as at December 31, 2016, with the balance to vest within one year of the date of grant.

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

	Number of options	**Weighted average**

		exercise price
Balance September 30, 2015	Nil	$ N/A
Granted	28,000,000	0.06
Exercised	—	—
Expired / Cancelled	—	—
Balance September 30, 2016	28,000,000	$ 0.06
Granted	3,450,000	0.06
Exercised	—	—
Expired / Cancelled	—	—
Balance December 31, 2016	31,450,000	$ 0.06

The following table summarizes the stock options outstanding at December 31, 2016:

Options Outstanding	Exercise Price	Remaining Contractual Life (Yrs)	Number of Options Currently Exercisable
14,000,000	$ 0.06	4.50	8,000,000
14,000,000	0.06	4.75	8,000,000
3,450,000	0.06	4.80	2,700,000
31,450,000	$ 0.06	4.68	18,700,000

The following assumptions were used for the Black-Scholes valuation of stock options granted during the period ended December 31, 2016: risk-free rate of 1.25%, expected life of 5 years, annualized historical volatility of 112.0% and a dividend rate of 0%. 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 $117,090 ($nil – 2015).

The weighted-average grant-date fair value of options granted during the period ended December 31, 2016 was $0.04 (2015 - $nil). The total intrinsic value of options exercised during the period ended December 31, 2016 was $nil (2015 - $nil).

VOIP-PAL.COM INC.

Notes to the Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2016

NOTE 11. SEGMENTED INFORMATION

The Company operates in one reportable segment being the acquisition and development of VoIP-related intellectual property including patents and technology. All intangible assets are located in the United States of America.

NOTE 12. 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 are currently stayed, by agreement with the parties thereto, pending the outcome of two *Inter Partes* Reviews ("IPR"), as follows:

- Apple, Inc. (Petitioner) vs. Voip-Pal.com, Inc. (Patent Owner) IPR2016-01198, Reviewing Patent No. 9,179,005

- Apple, Inc. (Petitioner) vs. Voip-Pal.com, Inc. (Patent Owner) IPR2016-01201, Reviewing Patent No. 5,542,815

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 December 31, 2016, 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 $2,699,256,418 in damages. On December 28, 2016, the lawsuit was officially served to Twitter, Inc. It is anticipated that this case will also be stayed pending the Patent Trial and Appeal Board ("PTAB") of the United States Patent and Trademark Office's ("USPTO") issuance of final written decisions in IPR proceedings concerning the patents-at-issue (see *Inter Partes Reviews* below). The outcome of each of the patent actions is undeterminable.

VOIP-PAL.COM INC.

Notes to the Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

December 31, 2016

NOTE 12. CONTINGENT LIABILITIES (CONT'D)

Inter Partes Reviews

In other legal actions related to Item iii above, the Company is involved in three *Inter Partes* Reviews ("IPR") before the PTAB. An IPR allows the PTAB to consider the validity of issued patents. There are no damages awarded, but a portion or all of a patent may be invalidated. The reviews are:

- Unified Patents Inc. (Petitioner) vs. Voip-Pal.com Inc. (Patent Owner) IPR2016-01082, Reviewing Patent No. 8,542,815

- Apple, Inc. (Petitioner) vs. Voip-Pal.com Inc. (Patent Owner) IPR2016-01198, Reviewing Patent No. 9,179,005

- Apple, Inc. (Petitioner) vs. Voip-Pal.com Inc. (Patent Owner) IPR2016-01201, Reviewing Patent No. 8,542,815

During the period ended December 31, 2016, on December 8, 2016, the petition by Unified Patents Inc. was not instituted by the PTAB.

With respect to the two Apple petitions, the IPRs were instituted on November 21, 2016. The outcome of these IPRs is undeterminable.

Performance Bonus Payable

During the year ended September 30, 2016, the board of directors authorized the Company to provide a performance bonus of up to 3% of the capital stock of the Company (the “Performance Bonus”) 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 successful completion of a purchase and sale of the Company or a major licensing transaction, defined as a bonusable event. In order to provide maximum flexibility to the Company with respect to determining what constitutes such a bonusable event, 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. As at December 31, 2016 and the date of this report, no bonusable event has occurred and there is no Performance Bonus currently payable.

Item 2. 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 condensed consolidated financial statements for the quarterly period ended December 31, 2016 and notes thereto, and our audited consolidated financial statements for the year ended September 30, 2016 and notes thereto.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A for the three months ending December 31, 2016 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 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 December 2013, the Company completed the acquisition of Digifonica (International) Limited, a private company incorporated on September 7, 2004 in Gibraltar.

Voip-Pal is a technical leader in the broadband Voice-over-Internet Protocol (“Voice over IP” or “VoIP”) market with the ownership and continuing development of a portfolio of leading-edge VoIP patents. Voip-Pal’s primary products are VoIP-related patented technology. The Company has spent several years testing and developing this technology. The Company is currently seeking to monetize the patents through a corporate transaction, an asset sale, or licensure of its products.

Voip-Pal’s intellectual property value is derived from ten issued and four pending United States Patent and Trademark Office (USPTO) patents. Voip-Pal inventions described in these patents provide the means to integrate VoIP services with any of the legacy telecommunications systems to create a seamless service using either legacy telephone numbers or IP addresses, and enhance the performance and value of VoIP implementations worldwide.

Voice over IP has been and continues to be a greenfield 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, 2016 and 2015

	Three months ending December 31				
	2016	2015	Increase/ (Decrease)	Percent	
Revenue	$—	$—	$—	—	
Cost of Revenue	—	—	—	—	
Gross Margin	—	—	—	—	
General and administrative expenses	(498,052)	(186,991)	311,061	166	%
Amortization of intangible assets	(35,547)	(525,186)	(490,639)	-93	%
	—	—	—	—	
Net loss	$(532,599)	$(712,177)	$(179,578)	-25	%

REVENUES, COST OF REVENUES AND GROSS MARGIN

The Company had no revenues, cost of revenues or gross margin for the three month periods ending December 31, 2016 and 2015.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months ending December 31, 2016 totaled $498,052 compared to $186,991 during the same period in 2015. The increase in general and administrative expenses of $311,061, or 166% more than the previous year, was primarily due to higher legal and patent consulting fees, and stock-based compensation paid out by the Company during the period ended December 31, 2016.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intellectual VoIP communications patent properties for the three months ending December 31, 2016 totaled $35,547 compared to $525,186 during the same period in 2015. The decrease in amortization expenses of $490,639, or 93% over the previous period was due to a write-down of $500,000 of intangible costs related to common shares issued to the seller of Digifonica pursuant to the Anti-dilution Clause in the Digifonica purchase agreement during the three months ended December 31, 2015. There was no impairment or write-down of intangible assets by the Company for the same period ended December 31, 2016.

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.

INTEREST EXPENSE

The Company had no financing or interest costs for the three month periods ending December 31, 2016 and 2015.

NET LOSS

The Company reported a net loss of $532,599 for the three months ended December 31, 2016 compared to a net loss of $712,177 for the same period in 2015. The net loss decrease of $179,578, or 25% over the same period in 2015 was due primarily to the write-down of acquisition costs of $500,000 in 2015.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2016, the Company had an accumulated deficit of $32,168,742 as compared to an accumulated deficit of $28,874,214 at December 31, 2015. As of December 31, 201, the Company had a working capital surplus of $127,967 as compared to a working capital surplus of $459,275 at December 31, 2015. The decrease in the Company's working capital surplus of $331,686 was primarily due to an increase in legal and professional fees associated with the Company's patent lawsuits as compared to the same period in 2015.

Net cash used by operations for the three months ending December 31, 2016 and 2015 was $401,496 and $153,876, respectively. The increase in net cash used for the three months ending December 31, 2016 as compared to the three months ending December 31, 2015 was primarily due to an increase in legal and professional fees associated with the Company's patent lawsuits as compared to the same period in 2015.

Net cash used in investing activities for the three months ending December 31, 2016 and 2015 was $Nil and $174,222. Net cash provided in financing activities for the three months ending December 31, 2016 and 2015 was $347,500 and $35,814, respectively. The increase in net cash provided by financing activities of $311,686 was primarily due to proceeds received from a private placement in the period ending December 31, 2016.

Liquidity

The Company primarily finances its operations from cash received through the exercise of convertible loans from investors and through the payment of stock-based compensation. The Company believes its resources are adequate to fund its operations for the next 12 months.

Off Balance Sheet Arrangements

There are no off balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Impact of Inflation

Management believes that inflation has not had a material impact on our results of operations for the three months ending December 31, 2016. We cannot assure 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, 2016. 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, 2016:

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 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 June 30, 2016 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 12 of the Financial Statements contained in this report.

v) 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 are currently stayed, by agreement with the parties thereto, pending the outcome of two *Inter Partes* Reviews (“IPR”), as follows:

- Apple, Inc. (Petitioner) vs. Voip-Pal.com, Inc. (Patent Owner) IPR2016-01198, Reviewing Patent No. 9,179,005

- Apple, Inc. (Petitioner) vs. Voip-Pal.com, Inc. (Patent Owner) IPR2016-01201, Reviewing Patent No. 5,542,815

vi) 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 December 31, 2016, 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 $2,699,256,418 in damages. On December 28, 2016, the lawsuit was officially served to Twitter, Inc. It is anticipated that this case will also be stayed pending the Patent Trial and Appeal Board (“PTAB”) of the United States Patent and Trademark Office’s (“USPTO”) issuance of final written decisions in IPR proceedings concerning the patents-at-issue (see *Inter Partes Reviews* below). The outcome of each of the patent actions is undeterminable.

Inter Partes Reviews

In other legal actions related to Item iii above, the Company is involved in three *Inter Partes* Reviews ("IPR") before the PTAB. An IPR allows the PTAB to consider the validity of issued patents. There are no damages awarded, but a portion or all of a patent may be invalidated. The reviews are:

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- Apple, Inc. (Petitioner) vs. Voip-Pal.com Inc. (Patent Owner) IPR2016-01198, Reviewing Patent No. 9,179,005

- Apple, Inc. (Petitioner) vs. Voip-Pal.com Inc. (Patent Owner) IPR2016-01201, Reviewing Patent No. 8,542,815

During the period ended December 31, 2016, on December 8, 2016, the petition by Unified Patents Inc. was not instituted by the PTAB.

With respect to the two Apple petitions, the IPRs were instituted on November 21, 2016. The outcome of these IPRs 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.

During the period ended December 31, 2016, the Company issued 2,733,333 common shares priced between $0.025-$0.03 per common share to convert $72,500 of convertible debentures.

During the period ended December 31, 2016, the Company issued 3,746,667 common shares priced between $0.025-$0.03 per common share for services valued at $90,000 and finder's fee valued at $22,400.

During the period ended December 31, 2016, the Company issued 9,233,333 common shares at $0.03 per common share for cash proceeds of $275,000 from private placements. These transactions were exempt from securities registration as provided by Regulation D of the Securities Act for sales within the United States and by Regulation S of the Securities Act for sales made outside of the United States.

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 10, 2017 *By: /s/Emil Malak*
Emil Malak
Chief Executive Officer

DATED: February 10, 2017 *By: /s/D. Barry Lee*
D. Barry Lee
Chief Financial Officer