Voip-pal.com Inc
Form 10-Q
May 11, 2018

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: March 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	(I.R.S. Employer
incorporation or organization)	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 May 10, 2018, there were 1,472,796,135 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)

(Expressed in U.S. Dollars)

	March 31, 2018	September 30, 2017
ASSETS		
CURRENT		
Cash	$2,642,693	$12,157
Subscription Receivables (Note 9)	50,000	—
Legal retainer	100,000	100,000
Prepaid expense	12,000	12,000
	2,804,693	124,157
NON-CURRENT		
Intellectual VoIP communications patent properties, net (Note 5)	986,650	1,055,750
TOTAL ASSETS	$3,791,343	$1,179,907
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$298,064	$316,533
TOTAL LIABILITIES	$298,064	$316,533
STOCKHOLDERS' equity		
SHARE CAPITAL (Note 9)	$1,231,310	$1,018,760
ADDITIONAL PAID-IN CAPITAL (Note 9)	43,222,820	33,028,389
SHARES TO BE ISSUED (Note 9)	—	1,063,041

DEFICIT	(40,960,851)	(34,246,816)
	3,493,279	863,374
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,791,343	$1,179,907

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 March 31, 2018	Three Months Ended March 31, 2017	Six Months Ended March 31, 2018	Six Months Ended March 31, 2017
EXPENSES				
Amortization	$34,550	$34,548	$69,100	$69,095
Officers and Directors Fees (Note 6)	53,100	53,100	106,200	106,200
Legal fees (Note 6)	284,875	282,940	628,652	372,560
Office & general	98,452	134,755	187,657	179,717
Patent consulting fees	10,000	40,000	43,529	130,000
Professional fees & services (Note 6)	2,916,917	125,194	3,027,847	154,274
Stock-based compensation (Note 10)	2,651,050	—	2,651,050	117,090
Total expenses	6,048,944	670,537	6,714,035	1,128,936
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$(6,048,944)	$(670,537)	$(6,714,035)	$(1,128,936)
Basic and diluted loss per common share	$(0.00)	$(0.00)	$(0.00)	$(0.00)
Weighted-average number of common shares outstanding:				
Basic and diluted	1,337,628,236	1,082,812,451	1,251,634,056	1,074,164,201

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

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VOIP-PAL.com Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – prepared by management)

(Expressed in U.S. Dollars)

	Six Months Ended March 31, 2018	Six Months Ended March 31, 2017
Cash Flows from Operating Activities		
Net loss for the period	$(6,714,035)	$(1,203,136)
Add items not affecting cash:		
Stock-based compensation	2,651,050	117,090
Shares issued for services and finder’s fees	2,810,829	129,700
Amortization	69,100	69,095
Changes in non-cash working capital:		
Prepaid expense	—	71,250
Accounts payable	(18,469)	(59,335)
Subscriptions receivable	(50,000)	—
Cash Flows Used in Operating Activities	(1,251,525)	(875,336)
Cash Flows from Investing Activities		
Investment in Intangible assets	—	—
Intellectual VoIP properties	—	—
Cash Flows Used in Investing Activities	—	—
Cash Flows from Financing Activities		
Proceeds from convertible debentures	—	72,500
Proceeds from private placement	2,936,060	772,000
Proceeds from warrant exercise	946,000	—
Cash Flows Provided by Financing Activities	3,882,060	844,500
Decrease in cash	2,630,536	(30,836)
Cash, beginning of the period	12,157	121,115
Cash, end of the period	$2,642,693	$90,279

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		Share to be Issued	Additional Paid-in		
	Number	Par Value	Value	Capital	Deficit	Total
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	73,067,166	73,067	—	1,516,943	—	1,590,010
Shares issued as finder's fees	4,336,667	4,337	—	(4,337)	—	—
Shares issued for debt conversion	1,400,000	1,400	—	31,100	—	32,500
Shares issued for services	7,747,500	7,748	—	223,953	—	231,701
Shares cancelled on termination of services	(900,000)	(900)	—	(44,100)	—	(45,000)
Shares to be issued for Anti-Dilution Clause (Notes 4 & 9)	—	—	—	—	—	—
Share purchase options granted (Note 10)	—	—	—	421,867	—	421,867
Net loss for the period	—	—	—	—	(2,610,673)	(2,610,673)
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	101,803,749	101,804	—	2,834,256	—	2,936,060
Shares issued for warrant exercise	23,650,000	23,650	—	922,350	—	946,000
Shares issued for services	87,095,500	87,096	(1,063,041)	3,786,775	—	2,810,830
Shares issued for Anti-Dilution Clause (Notes 4 & 9)	118,121,352	—	—	—	—	—
Share purchase options granted (Note 10)	—	—	—	2,651,050	—	2,651,050
Net loss for the period	—	—	—	—	(6,714,035)	(6,714,035)
Balance at March 31, 2018	1,472,796,135	$1,231,310	$—	$43,222,820	$(40,960,851)	$3,493,279

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

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VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

March 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 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, a private company based in Gibraltar, 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 March 31, 2018, had an accumulated deficit of $40,960,851 (September 30, 2017 - $34,246,816). 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 March 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)

March 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 $2,642,693 and $12,157 in cash on March 31, 2018 and September 30, 2017, 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. Costs to renew or extend patents are capitalized. 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 March 31, 2018 and September 30, 2017.

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 Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

March 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 six-month period ended March 31, 2018 and the year ended September 30, 2017 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 March 31, 2018, the Company's bank operating account balances exceeded the Federal Deposit Insurance Corporation Insurance Limit of $250,000 by $2,392,693.

Recent Accounting Pronouncements

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 did not have any impact on the Company's financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities". ASU 2016-01 addressed certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 was effective for annual reporting periods and interim reporting periods within those annual reporting periods, beginning after December 15, 2017. The implementation of this update did not impact on the Company's consolidated financial position, results of operations or cash flows or disclosure.

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

March 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.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230)”. ASU No. 2016-15 is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU No. 2016-15 was effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The guidance requires application using a retrospective transition method. The implementation of ASU No. 2016-15 did not impact on the Company’s consolidated financial position, results of operations or cash flows or disclosure.

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 $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 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 March 31, 2018 and September 30, 2017 is as follows:

	March 31, 2018	September 30, 2017
VoIP Intellectual property and patents	$1,552,416	$1,552,416
Accumulated amortization	(565,766)	(496,666)
Net book value	$986,650	$1,055,750

There were no disposals of any intangible 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)

March 31, 2018

NOTE 6. RELATED PARTY TRANSACTIONS

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 during the period ended March 31, 2018 includes:

	March 31, 2018	March 31, 2017
Management fees paid or accrued to the CEO	$22,500	$22,500
Management fees paid or accrued to the CFO	21,600	21,600
Management fees paid or accrued to the President	9,000	9,000
Directors' fees	**Nil**	14,900
	$53,100	$68,000

At March 31, 2018 included in accounts payable and accrued liabilities is $227,200 (September 30, 2017 - $186,700) owed to current officers and directors. Amounts due to/from related parties are non-interest bearing, unsecured and have no fixed terms of repayment unless otherwise noted.

As at March 31, 2018, included in shares to be issued is $Nil (September 30, 2017 - $902,000) for unpaid Officer and Director fees and $Nil (September 30, 2017 - $80,000) for professional fees & services paid to a director for consulting services provided. Additionally, $3,737,558 (September 30, 2017 - $994,548) was accrued as a share issue cost in the period to the Seller of Digifonica for the Anti-Dilution Clause (Notes 4 and 9).

NOTE 7. SUPPLEMENTAL CASH FLOW INFORMATION

During the six-month period ended March 31, 2018, the Company paid $nil (September 30, 2017 - $nil) in interest or income taxes.

During the six-month period ended March 31, 2018 the Company re-classified $1,063,041 from Shares to be issued into Additional paid-in capital upon issuance of shares (2017 - $nil).

NOTE 8. CONVERTIBLE DEBENTURES

The Company from time-to-time issues convertible debentures that are due on demand. The convertible debentures are convertible at fixed conversion rates and typically carry no interest. See Note 9 for details of common shares issued during the period from the conversion of convertible debentures.

As at March 31, 2018 there are $nil (September 30, 2017 - $nil) in convertible debentures issued and outstanding.

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

March 31, 2018

NOTE 9. SHARE CAPITAL

Capital Stock Authorized and Issued:

2,000,000,000 common voting shares authorized with a par value of $0.001 each, of which 1,472,796,135 (September 30, 2017 – 1,142,125,534) shares are issued.

1,000,000 convertible preferred shares authorized with a par value of $0.01 each, of which nil (2016 – nil) shares are issued.

During the six-month period ended March 31, 2018, the board of directors of the Company authorized the increase of the Company's capital stock to 2,000,000,000 (September 30, 2017 – 1,300,000) common voting shares with a par value of $0.001 per share.

Issues during the six-month period ended March 31, 2018

During the six-month period ended March 31, 2018, the Company issued:

95,497,749 common shares issued at between $0.015 and $0.06 per common share for cash proceeds of $2,837,940 from private placements of common shares;

- 6,306,000 units at between $0.0125 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;

- 23,650,000 common shares at $0.04 per common share for gross cash proceeds of $946,000 on the exercise of 23,650,000 common share purchase warrants;

- 87,095,500 common shares priced at between $0.02 and $0.06 per common share for services valued at $2,810,830; and

- 118,121,352 common shares priced at $0.02 per common share pursuant to the Anti-Dilution Clause for an aggregate value of $2,362,427.

Issues during the year ended September 30, 2017

During the year ended September 30, 2017, the Company issued 73,067,166 common shares priced between $0.02 and $0.03 per common share for cash proceeds of $1,590,010 from private placements, as follows:

- 11,566,666 common shares issued at between $0.02 and $0.03 per common share for cash proceeds of $340,000 from a private placement of common shares;

- 61,500,500 units at between $0.02 and $0.025 per unit for cash proceeds of $1,250,010. 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 or $0.05 for a period of twelve months from the date of issuance; and

During the year ended September 30, 2017, the Company issued:

- 7,747,500 common shares priced between $0.025 and $0.05 per common share for services valued at $231,701;

- 4,336,667 common shares priced at $0.02 and $0.03 per common share as share issuance fees valued at $100,200; and

- 1,400,000 common shares priced between $0.025 and $0.03 per share to convert $32,500 of convertible debentures.

During the year ended September 30, 2017, 900,000 common shares priced at $0.05 per common share were cancelled. The shares had been issued as an advance payment for the provision of services under a contract which was terminated prior to fulfillment.

Subsequent Issues

Subsequent to the six-month period ended March 31, 2018, the Company:

- issued 5,100,000 shares of its common stock at a price of $0.04 per common share on the exercise of common share purchase warrants for gross proceeds of $204,000; and

- issued 250,000 shares of its common stock at a price of $0.03 per common share in payment of consulting services valued at $7,500.

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VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

March 31, 2018

NOTE 9. SHARE CAPITAL (CONT'D)

Shares to be Issued

As at March 31, 2018, there are $Nil (September 30, 2017 – 23,353,846) common shares to be issued that are accrued for professional services provided to the Company valued at $Nil (September 30, 2017 – $1,058,320), of which $Nil (September 30, 2017 – 21,281,903) are accrued to management and related parties.

As at March 31, 2018, there are 32,125,001 (September 30, 2017 – 57,826,653) 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 $3,737,558 (September 30, 2017 - $1,937,193).

Warrants

During the year ended September 30, 2017, the Company issued 61,500,500 common share purchase warrants to purchase 61,500,500 common shares in the capital stock of the Company at a price of $0.04 or $0.05 per common share for a period of twelve months from date of issue in private placements of units.

During the six-month period ended March 31, 2018, the Company issued 6,306,000 common share purchase warrants to purchase 6,306,000 common shares in the capital stock of the Company at a price of $0.04 per common share for a period of twelve months from date of issue in private placements of units.

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

	Number of warrants	Weighted average exercise price
Balance September 31, 2016	**Nil**	$ **N/A**
Issued in unit private placement	61,500,500	0.04
Exercised	Nil	N/A
Expired	Nil	N/A
Balance September 31, 2017	61,500,500	0.04
Issued in unit private placement	6,306,000	0.04
Exercised	(23,650,000)	0.04
Expired	(5,000,000)	0.04
Balance March 31, 2018	39,156,500	$ 0.04

The following table summarizes the share purchase warrants outstanding at March 31, 2018:

Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
39,156,500	$ 0.04	**0.35 years**

As at March 31, 2018, the Company has 39,156,500 (September 30, 2017 – 61,500,500) common share purchase warrants outstanding to purchase 39,156,500 common shares at a weighted average price of $0.04 per share expiring on dates ranging from April through December 2018.

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VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

March 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.

During the six-month period ended March 31, 2018, the Company granted 18,500,000 options to purchase 18,500,000 common shares at an exercise price of $0.18 per common share under the plan. 14,500,000 of the options granted during the six-month period ended March 31, 2018 are vested and exercisable as at March 31, 2018.

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

	Number of options	**Weighted average exercise price**
Balance September 30, 2016	28,000,000	$ 0.060
Granted	11,850,000	0.053
Balance September 30, 2017	39,850,000	$ 0.058
Granted	18,500,000	0.180

Balance March 31, 2018	58,350,000	$ 0.10

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

Options Outstanding	Exercise Price	Remaining Contractual Life (Yrs)	Number of Options Currently Exercisable
14,000,000	$ 0.06	3.48	14,000,000
14,000,000	0.06	3.69	14,000,000
3,450,000	0.06	3.82	3,450,000
8,400,000	0.05	4.30	8,400,000
18,500,000	0.18	4.92	14,500,000
58,350,000	$ 0.10	3.95	54,350,000

The following assumptions were used for the Black-Scholes valuation of stock options granted during the year ended March 18, 2018: risk-free rate of 1.62% (2017 – 1.25%), expected life of 5 years (2017 – 5 years), annualized historical volatility of 117.6% (2017 - 112.0%) and a dividend rate of 0% (2017 – 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 $2,651,050 ($0.14 per share) for the six-month period ended March 31, 2018.

The weighted-average grant-date fair value of options granted during the six-month period ended March 31, 2018 was $0.14 (2017 - $0.04). The total intrinsic value of options exercisable during the six-month period ended March 31, 2018 was $1,538,525 (2017 - $nil).

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

March 31, 2018

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 (“IPRs”), as noted below. 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 year 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 $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 this case is undeterminable.

VOIP-PAL.COM INC.

Notes to the Interim Consolidated Financial Statements

(Unaudited – prepared by management)

(Expressed in United States Dollars)

March 31, 2018

NOTE 12. 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 are currently subject to several *Inter Partes* Reviews ("IPR(s)") 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 instituted for IPR may be invalidated as a result of the review.

During the six-month period ended March 31, 2018, eight IPRs were in process at the PTAB, filed against Patent No. 8,542,815 and No. 9,179,005, as follows:

- Unified Patents Inc. (Petitioner) vs. Voip-Pal.com Inc. (Patent Owner) IPR2016-01082, reviewing Patent No. 8,542,815. On December 8, 2016, this petition was not instituted by the PTAB;

- 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. Each of these six petitions were instituted for IPR by the PTAB on May 8, 2017; 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, which were also both instituted for IPR by the PTAB on May 8, 2017.

During the six-month period ended March 31, 2018, on November 21, 2017, the PTAB issued their Final Written Decisions on the seven active IPRs being adjudicated, denying all claims made by the Petitioners (Apple Inc, and AT&T Inc.) in all seven instituted IPRs, upholding the validity of the patents, which validity had been challenged by the Petitioners. Subsequent to the Final Written Decisions, the PTAB is considering a motion for sanctions against the Company brought by Apple, Inc. While there is no appeal allowed in IPR proceedings, Apple's post-judgment motions seek invalidation of certain of the patents or a new trial in the alternative, as a sanction against the Company for alleged misconduct during the IPR proceedings. 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 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.

During the six-month period ended March 31, 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 March 31, 2018 and the date of this report, no bonusable event has occurred and there is as yet no Performance Bonus payable.

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 quarterly period ended March 31, 2018 and notes thereto appearing elsewhere in this report, and our audited consolidated financial statements for the year ended September 30, 2017 and notes thereto.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A for the three and six months ending March 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 simil variations of 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 ("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 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 (Internet Protocol), or 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 and Six Months Ending March 31, 2018 and 2017

	Three months ending March 31				
	2018	2017	Increase/ (Decrease)	Percent	
Revenue	$—	$—	$—	—	
Cost of Revenue	—	—	—	—	
Gross Margin	—	—	—	—	
General and administrative expenses	(6,014,395)	(635,989)	5,378,405	846	%
Amortization of intangible assets	(34,550)	(34,548)	2	0.01	%
Net loss	$(6,048,944)	$(670,537)	$5,378,406	802	%

	Six months ending March 31				
	2018	2017	Increase/ (Decrease)	Percent	
Revenue	$—	$—	$—	—	
Cost of Revenue	—	—	—	—	
Gross Margin	—	—	—	—	
General and administrative expenses	(6,644,935)	(1,059,841)	5,585,094	527	%
Amortization of intangible assets	(69,100)	(69,095)	5	0.01	%
Net loss	$(6,714,035)	$(1,128,936)	$5,585,099	495	%

REVENUES, COST OF REVENUES AND GROSS MARGIN

The Company had no revenues, cost of revenues or gross margin for the three and six-month periods ending March 31, 2018 and 2017.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months ending March 31, 2018 totaled $6,014,394 compared to $635,989 during the same period in 2017. The increase in general and administrative expenses of $5,378,404, or 846% more than the previous year, was due to higher professional fees and services related to the patent lawsuits filed by the Company, and to a large increase in stock-based compensation.

General and administrative expenses for the six months ending March 31, 2018 totaled $6,644,935 compared to $1,059,841 during the same period in 2017. The increase in general and administrative expenses of $5,585,094 or 527% more than the previous year, was primarily due to higher professional fees and services related to the patent lawsuits filed by the Company and a large increase in stock-based compensation.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intellectual VoIP communications patent properties for the three months ending March 31, 2018 totaled $34,550 compared to $34,548 during the same period in 2017. There was no material difference between the amortization expenses for the three months ending March 31, 2018 as compared to the same period in 2017.

Amortization of the intellectual VoIP communications patent properties for the six months ending March 31, 2018 totaled $69,100 compared to $69,095 during the same period in 2017. There was no material difference between the amortization expenses for the six months ending March 31, 2018 as compared to the same period in 2017.

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.

SHARE ISSUANCE COSTS

During the three- and six-month period ending March 31, 2018, the Company issued 118,121,352 common shares priced at $0.02 per common share pursuant to the Anti-Dilution Clause for an aggregate value of $2,362,427. There were no share issuances for the Anti-Dilution Clause during the same period in 2017. These costs were recorded as share issuance costs against the Company’s capital account.

INTEREST EXPENSE

The Company had no financing or interest costs for the three- or six-month periods ending March 31, 2018 and 2017.

NET LOSS

The Company reported a net loss of $6,048,944 for the three months ended March 31, 2018 compared to a net loss of $670,537 for the same period in 2017. The increase in net loss of $5,378,406, or 802% over the same period in 2017 was due primarily to an increase in professional and legal fees related to the patent lawsuits filed by the Company, stock-based compensation and the write-down of intangible acquisition costs.

The Company reported a net loss of $6,714,035 for the six months ended March 31, 2018 compared to a net loss of $1,128,936 for the same period in 2017. The increase in net loss of $5,585,099, or 495% over the same period in 2017 was due primarily to an increase in professional and legal fees related to the patent lawsuits filed by the Company, stock-based compensation and the write-down of intangible acquisition costs.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2018, the Company had an accumulated deficit of $40,960,851 as compared to an accumulated deficit of $34,246,816 at March 31, 2017. As of March 31, 2018, the Company had a working capital surplus of $2,506,629 as compared to a working capital surplus of $1,149,548 at March 31, 2017. The increase in the Company’s working capital surplus of $1,357,079 was primarily due to an increase in cash proceeds from private placements and warrant exercises.

Net cash used by operations for the three months ending March 31, 2018 and 2017 was $648,331 and $473,840, respectively. The increase in net cash used for the three months ending March 31, 2018 as compared to the three months ending March 31, 2017 was primarily due to a higher net loss for the period.

Net cash used by operations for the six months ending March 31, 2018 and 2017 was $1,251,525 and $875,336, respectively. The increase in net cash used for the six months ending March 31, 2018 as compared to the six months ending March 31, 2017 was primarily due to a higher net loss for the period.

Net cash used in investing activities for the three and six months ending March 31, 2018 and 2017 was $Nil.

Net cash provided in financing activities for the three months ending March 31, 2018 and 2017 was $1,911,965 and $497,000, respectively. The increase in net cash provided by financing activities of $1,414,965 was primarily due to an increase in cash proceeds from private placements and warrant exercises.

Net cash provided in financing activities for the six months ending March 31, 2018 and 2017 was $3,882,060 and $844,500, respectively. The increase in net cash provided by financing activities of $3,037,560 was primarily due to an increase in cash proceeds from private placements and warrant exercises.

Liquidity

The Company primarily finances its operations from cash received through equity private placements of common stock 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

Performance Bonus Payable

In 2016, the board of directors authorized the Company to provide a performance bonus of up to 3% of the capital stock of the Company by way of the issuance of Rule 144 restricted common shares from its treasury to an as yet undetermined group of related and non-related parties upon the successful completion of a 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. Since the Performance Bonus is only available upon the sale of the Company or a major licensing event, this potential transaction would not have a material impact on the Company's financial position, revenues or expenses, results of operations, liquidity or capital expenditures.

During the six-month period ended March 31, 2018, the board of directors authorized the increase of the Performance Bonus to up to 10% of the capital stock of the Company.

There are no other 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

We believe that inflation has not had a material impact on our results of operations for the three and six months ending March 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 March 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 March 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 March 31, 2018 that have materially affected or are reasonably likely to materially affect such controls.

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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.

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 ("IPRs"), as noted below. 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 year 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 $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 this case is undeterminable.

Inter Partes Reviews

In additional legal actions related to Item iii above, two of the Company's patents are currently subject to several *Inter Partes* Reviews ("IPR(s)") 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 instituted for IPR may be invalidated as a result of the review.

During the six-month period ended March 31, 2018, eight IPRs were in process at the PTAB, filed against Patent No. 8,542,815 and No. 9,179,005, as follows:

- Unified Patents Inc. (Petitioner) vs. Voip-Pal.com Inc. (Patent Owner) IPR2016-01082, reviewing Patent No. 8,542,815. On December 8, 2016, this petition was not instituted by the PTAB;

- 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;

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- 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. Each of these six petitions were instituted for IPR by the PTAB on May 8, 2017; 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, which were also both instituted for IPR by the PTAB on May 8, 2017.

During the six-month period ended March 31, 2018, on November 21, 2017, the PTAB issued their Final Written Decisions on the seven active IPRs being adjudicated, denying all claims made by the Petitioners (Apple Inc, and AT&T Inc.) in all seven instituted IPRs, upholding the validity of the patents, which validity had been challenged by the Petitioners. Subsequent to the Final Written Decisions, the PTAB is considering a motion for sanctions against the Company brought by Apple, Inc. While there is no appeal allowed in IPR proceedings, Apple's post-judgment motions seek invalidation of certain of the patents or a new trial in the alternative, as a sanction against the Company for alleged misconduct during the IPR proceedings. 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.

During the period ended March 31, 2018, the Company issued 86,937,500 common shares priced at between $0.02 and $0.06 per common share for services valued at $2,808,459.

During the period ended March 31, 2018, the Company issued 118,121,352 common shares priced at $0.02 per common share pursuant to the Anti-Dilution Clause for an aggregate value of $2,244,306.

During the period ended March 31, 2018, the Company issued 16,766,086 common shares priced between $0.015 and $0.06 per common share for cash proceeds of $1,001,465 from private placements of common shares; and 400,000 units at $0.0125 per unit for cash proceeds of $5,000, each unit consisting of one common share and one common share purchase warrant, each warrant allowing the holder to purchase one common share for $0.04 for a period of twelve months from the date of issuance; and 22,650,000 common shares at $0.04 per common share for cash proceeds of $914,000 on the exercise of 22,650,000 common share purchase warrants. 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.

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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: May 10, 2018 *By: /s/Emil Malak*
Emil Malak
Chief Executive Officer

DATED: May 10, 2018 *By: /s/D. Barry Lee*
D. Barry Lee
Chief Financial Officer