Networks Inc.
Virtutone

ANNUAL INFORMATION FORM

for the year ended January 31, 2014

June 20, 2014

TABLE OF CONTENTS

CERTAIN DEFINITIONS

In this Annual Information Form, the following words and phrases have the following meanings, unless the context otherwise requires:

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Board**" means the board of directors of the Corporation;

"**Cash Store**" means Cash Store Financial Services Inc.;

"**CLEC**" means Competitive Local Exchange Carriers;

"**Common Shares**" means common shares in the capital of Virtutone;

"**Corporation**" or "**Virtutone**" means Virtutone Networks Inc., a corporation amalgamated under the laws of the Province of Alberta;

"**ILEC**" means Incumbent Local Exchange Carriers;

"**IP**" means Internet Protocol;

"**NOC**" means Network Operations Centre;

"**Options**" means options to purchase Common Shares granted under the share option plan of the Corporation;

"**Orca Wave**" means Orca Wave's BlueWater™ Intelligent Routing and Billing Platform;

"**Qualifying Transaction**" means the business combination with SatFax, pursuant to which the Corporation acquired all of the issued and outstanding common shares of SatFax;

"**SatFax**" means SatFax Networks Inc.;

"**SMS**" means Short Message Service;

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations;

"**TGN**" means Transcendent Global Networks LLC;

"**TSXV**" means the TSX Venture Exchange;

"**Virtutone Credit Facility**" has the meaning ascribed thereto under the heading "*General Development of the Business – Three Year History – Year Ended January 31, 2013*"; and

"**VoIP**" means Voice over Internet Protocol.

CONVENTIONS

Certain terms used herein are defined under the heading "Certain Definitions".

Unless otherwise indicated, references herein to "$" or "dollars" are to Canadian dollars.

Unless otherwise specified, information in this Annual Information Form is as at the end of the Corporation's most recently completed financial year, being January 31, 2014.

READER ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Annual Information Form including, without limitation, the financial and business prospects and financial outlook, capital expenditures and the timing thereof, the effect of government announcements, proposals and legislation, exchange rates, methods of financing thereof, may be forward-looking statements. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions may be used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with the Corporation's reliance on third parties and third party technology, currency fluctuations, competition, incorrect assessment of the value of acquisitions and new technologies, failure to realize the anticipated benefits of acquisitions and new technologies, litigation and bankruptcy proceedings, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and the risk factors outlined under "Risk Factors" and elsewhere herein. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although the Corporation believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Corporation can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified in this Annual Information Form, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which the Corporation operates; the timely receipt of any required regulatory approvals; the ability of the Corporation to obtain qualified staff, technology and services in a timely and cost efficient manner; the ability of the Corporation to obtain financing on acceptable terms; currency, exchange and interest rates; the regulatory framework regarding taxes and other matters in the jurisdictions in which the Corporation operates; and the ability of the Corporation to successfully market its products.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Corporation assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws.

CORPORATE STRUCTURE

Name, Address and Incorporation

Virtutone Networks Inc. was incorporated on October 10, 2005 under the ABCA as "Sawhill Capital Ltd." On March 7, 2006, Virtutone amended its articles to remove all private company restrictions.

On September 22, 2008, the Corporation completed the Qualifying Transaction with SatFax and changed its name to "Virtutone Networks Inc." Virtutone was amalgamated under the provisions of the ABCA on February 1, 2009 with its wholly-owned subsidiary, SatFax and continued under the name "Virtutone Networks Inc."

The head office of Virtutone is located at #240, 2181 Premier Way, Sherwood Park, Alberta T8H 2V1 and its registered office is located at Suite 2400, 525 – 8th Avenue S.W., Calgary, Alberta T2P 1G1.

The Corporation does not have any subsidiaries.

Unless otherwise stated, disclosure in this Annual Information Form of the share capital of Virtutone is presented after giving effect to the foregoing amendments to the Articles of Virtutone.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The following is a summary of the significant events in the development of the Corporation's business over the last three completed financial years.

Year Ended January 31, 2012

In August 2011, the Corporation completed a non-brokered private placement of 4,000,001 Common Shares for gross proceeds of $300,000. Management and directors purchased 2,072,000 of the Common Shares issued in this private placement.

On October 28, 2011, the Corporation purchased the assets of TGN for aggregate consideration of 600,000 Common Shares, which were valued at $84,000 based on the market value of the Common Shares on the closing date. These assets were purchased to vertically integrate Virtutone's business as TGN was the Corporation's United States distributor of telecommunication products and services.

Throughout the year ended January 31, 2012, Virtutone completed the project rollout of its three-year contract with Cash Store, which began in March 2010. This included completing installations at Cash Store's locations in Canada, Australia and the United Kingdom.

Year Ended January 31, 2013

During the year ended January 31, 2013, the Corporation launched its new wholesale division, which provides wholesale VoIP services to telephone companies, VoIP carriers, call centres, satellite service providers, cellular carriers, and managed IT service providers. This line of business has grown significantly and is currently the Corporation's sole service offering.

To support its wholesale division, the Corporation made significant investments in staff and infrastructure. The Corporation installed a Session Border Controller from Sonus Networks Inc., integrated a new automated routing and billing system, and hired specialized sales and technical personnel.

During the year ended January 31, 2013, the Corporation completed non-brokered private placements of an aggregate of 2,680,000 Common Shares for aggregate gross proceeds of $536,000. The Corporation also entered into an amended bank facility agreement for a revolving demand facility to a maximum of $2,000,000 at the bank's prime rate plus 1.7% per annum (the "**Virtutone Credit Facility**"). This facility replaced the previous revolving demand facility for $300,000 at the bank's prime rate plus 2.5%. These additional sources of funding were put in place to support the expected growth of the new wholesale division.

Year Ended January 31, 2014

In early March 2013, the Corporation's contract with Cash Store terminated and was not renewed.

In March 2013, the Corporation secured contracts for wholesale services that represented, at the time, approximately $1.3 million in monthly revenue. This new block of business was the first large-scale advancement for the fledgling wholesale division, and transitioned the Corporation from being primarily reliant on its retail business to being primarily reliant on its wholesale business. The Corporation has been able to maintain and grow revenue from these customers.

In July 2013, the Corporation set up a new NOC in Cairo, Egypt. The NOC has created significant cost savings, and has allowed the Corporation to greatly enhance the quality of its services.

On August 15, 2013, the Corporation began the implementation of Orca Wave to provide the lowest cost and best quality option between equivalent telecommunications carriers for use in its wholesale operations. The routing system works to eliminate human errors from the pricing process as well as maximize margins in the Corporation's wholesale traffic by providing end-to-end route management, intelligent least cost routing, automated billing, and advance notification systems.

Effective September 1, 2013, the Corporation sold its retail division to ComCanada Communications Inc., a private Canadian telecommunications company, for aggregate gross proceeds of approximately $280,000. The sales price of the division will be adjusted to the actual recurring revenue generated by the assets in the 12 months subsequent to the closing date of August 27, 2013. The proceeds from the sale of the division are comprised of the actual revenue to January 31, 2014 and an estimate of the future revenue to the end of the 12 month period.

At the Corporation's annual general meeting held on September 12, 2013, a number of changes to the membership of the Board occurred, including the elections of Messrs. Andre Brosseau, Ron Long, and Harold Baxandall and the resignations of Messrs. Randy Matkaluk and Murray Montgomery.

On November 29, 2013, the Corporation closed a non-brokered private placement of Units ("**Units**") of the Corporation (the "**Non-Brokered Unit Private Placement**") at a price of $0.25 per Unit for aggregate gross proceeds of $1,500,000. Each Unit consisted of: (i) one Common Share; and (ii) one half of one Common Share purchase warrant ("**Non-Brokered Warrant**"). Each whole Non-Brokered Warrant entitles the holder to purchase one Common Share at an exercise price of $0.375 per Common Share until November 30, 2015 (the "**Non-Brokered Warrant Expiry Date**"). If, during the period commencing on the date that is four months and one day following the date of issuance and ending on the Non-Brokered Warrant Expiry Date, the daily volume weighted average trading price of the Common Shares on the TSXV exceeds $0.375 for each day for a period of 20 consecutive trading days, then the Corporation may, from time to time, give the holders of the Non-Brokered Warrants written notice (the "**Non-Brokered Accelerated Expiry Date Notice**") of such occurrence within 30 days of such occurrence, in which case the Non-Brokered Warrants will expire at 4:00 p.m. (Calgary time) on the 30th day following the giving of the Non-Brokered Accelerated Expiry Date Notice.

On December 10, 2013, the Corporation completed the acquisition of five key underlying customers of its largest customer for aggregate consideration of 1,000,000 Common Shares (the "**Consideration**") at a deemed value of $370,000. The Consideration was payable: (i) 50% at closing, and (ii) the remaining 50% on June 10, 2013, being six months from the date of closing, provided that the gross margin from the additional revenue from the purchased customers remains at $36,000 or more per month.

On January 16, 2014, the Corporation closed the first tranche of a brokered private placement of Units (the "**Brokered Unit Private Placement**") at a price of $0.30 per Unit for aggregate gross proceeds of $2,557,089.60. Each Unit consisted of: (i) one Common Share; and (ii) one half of one Common Share purchase warrant ("**Brokered Warrant**"). Each whole Brokered Warrant entitles to holder to purchase one Common Share at an exercise price of $0.40 for a period of two years from the date of issuance (the "**Brokered Warrant Expiry Date**"). If, during the period commencing on the date that is four months and one day following the date of issuance and ending on the Brokered Warrant Expiry Date, the daily volume weighted average trading price of the Common Shares on the TSXV exceeds $0.40 for each day for a period of 20 consecutive trading days, then the Corporation may, from time to time, give the holders of the Brokered Warrants written notice (the "**Accelerated Expiry Date Notice**") of such occurrence within 30 days of such occurrence, in which case the Brokered Warrants will expire at 4:00 p.m. (Calgary time) on the 30th day following the giving of the Accelerated Expiry Date Notice (the "**Accelerated Expiry**"). In connection with the Brokered Unit Private Placement, the Corporation paid agents a cash commission of $204,567.17, representing 8% of the gross proceeds of the first tranche of the Brokered Unit Private Placement and issued agents 681,891 broker warrants ("**Broker Warrants**"), representing 8% of the number of Units sold in the first tranche of the Private Placement. Each whole Broker Warrant entitles the holder to purchase one unit ("**Broker Unit**") of the Corporation at an exercise price of $0.30 for a period of two years from the date of issuance, subject to the Accelerated Expiry. Each Broker Unit is comprised of: (i) one Common Share, and (ii) one half of one Brokered Warrant ("**Underlying Broker Warrant**"). The Underlying Broker Warrants are subject to the same terms and conditions as the Brokered Warrants.

On January 27, 2014, the Corporation closed the final tranche of the Brokered Unit Private Placement. In the final closing of the Brokered Unit Private Placement, the Corporation issued an additional 4,808,166 Units for aggregate gross proceeds of $1,442,449.80. Additionally, the Corporation paid agents a cash commission of $115,395.98, representing 8% of the gross proceeds of the final tranche of the Brokered Unit Private Placement and issued agents 384,653 Broker Warrants, representing 8% of the number of Units sold in the final tranche of the Brokered Unit Private Placement. A total of 13,331,798 Units were issued pursuant to the Brokered Unit Private Placement for approximate aggregate proceeds of $3,999,539.40.

On January 23, 2014, the Corporation announced the launch of its new SMS division. The Corporation is currently developing the infrastructure to support this division, and expects to have its first customers on the system in the first half of fiscal 2015.

On January 31, 2014, Mr. Colin Campbell resigned as Chief Financial Officer of the Corporation and Mr. Brent Johnston was appointed as Mr. Campbell's replacement.

Recent Developments

On February 7, 2014, Mr. Johnston resigned as Chief Financial Officer of the Corporation and Mr. Louis Acevedo resigned as Vice President, Carrier Operations of the Corporation.

On March 5, 2014, Mr. Sergio Valacco was appointed Chief Financial Officer of the Corporation.

On March 20, 2014, the Corporation announced that the Common Shares had been listed and posted for trading on the Frankfurt Stock Exchange under the symbol "0VN".

On May 26, 2014, Mr. Valacco resigned as Chief Financial Officer and Mr. William Woods was appointed as new Chief Financial Officer.

Significant Acquisitions

The Corporation did not complete any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations.*

DESCRIPTION OF THE BUSINESS

General

Virtutone is an Alberta-based junior technology company that provides wholesale VoIP services to telephone companies, VoIP carriers, call centres, satellite service providers, cellular carriers and managed IT service providers.

Virtutone initially focused its wholesale efforts on North American traffic. However, this proved to be a saturated market with low prices. In order to generate significant revenue in North America, a large number of minutes needed to be bought and sold, which required greater infrastructure costs to the Corporation. The Corporation pays proportionate fees for additional capacity on its switching equipment; however, each minute is counted regardless of the end destination, which results in increased costs to the Corporation. In addition to the added capacity costs, the amount of North American traffic puts a strain on system resources and could require additional hardware and/or technical personnel. As a result, the Corporation has discontinued its domestic service offering in favour of international traffic with a particular focus on African and Latin American destinations.

During the year ended January 31, 2014, the Corporation's revenue from wholesale was $48,823,653, as compared to revenue of $416,502 for the year ended January 31, 2013. This constituted over 99% of revenue from all sources. For the year ended January 31, 2013, wholesale revenue made up 15% of revenue, with the balance being attributable to retail products and service.

Network Services

The Corporation provides wholesale international voice termination services. Virtutone's end customers and vendors include some of the world's largest ILEC and CLEC, as well as many smaller regional carriers. The Corporation utilizes network switching equipment located in both Toronto, Ontario and Miami, Florida. Employing multiple switches provides both load-balancing as well as geographical redundancy in the event of failure. Virtutone's customers send their voice traffic via IP. The switching software makes intelligent routing decisions based on various user-defined inputs, including price, quality, and reliability, as well as other business case-related factors. The Corporation's NOC monitors all voice traffic and ensures benchmark statistics are being met. When issues arise, the NOC determines the cause and takes corrective action. The Corporation has developed a large enough network of partners so that each destination has multiple carriers and traffic to vendors that are not meeting quality standards can be re-routed to other carriers until such issues are resolved.

The Corporation's investment in Orca Wave is an important step in maximizing profitability. This software integrates with the Sonus Networks' switching equipment and is specifically designed to automate the routing and billing processes for wholesale voice traffic. The Corporation's routing personnel are able to work in real time to ensure maximum efficiency. The software also has safety features such as margin protection and credit limit blocking that work to prevent financial losses.

Specialized Skill and Knowledge

Virtutone believes that its team has all of the necessary components to successfully implement its business plan: strong technical skills; expertise in planning and financial controls; ability to execute on business development opportunities; capital markets expertise; extensive experience in the wholesale voice and SMS markets; and an entrepreneurial spirit that allows Virtutone to effectively identify, evaluate and execute on value-added initiatives. See "*Directors and Executive Officers*".

Competitive Conditions

The telecommunications services industry is intensely competitive, rapidly evolving, and subject to constant technological change. Telecommunications companies may compete for customers based on price, with the dominant providers conducting extensive advertising campaigns to capture market share. Virtutone competes with a number of regional and global entities, certain of which may have better name recognition and greater financial resources. On a global basis the Corporation's competition includes: Tellza Communications Inc., Fusion Telecom and IDT Corporation. Virtutone expects the high level of competition to continue in the future. Many competitors are both suppliers and customers of the Corporation as telecommunications services companies all need to be able to access each other's routes at the right price if other sources are not available. This will continue to occur so long as it is profitable for these companies to work with each other.

Management of the Corporation believes that the principal competitive factors affecting the market for telecommunications services are price points and cost, the quality of service, and the reliability of service. Management of the Corporation believes that its licensed software and network infrastructure allows it to respond to the network market conditions on a real time basis to take advantage of demand and supply of calls that need to be routed and terminated and to make extra profit margin as a result. Virtutone believes that its competitive position is equivalent to that of other telecommunications services companies of similar size.

See "*Risk Factors —Competition*".

New Products

The Corporation recently announced the launch of its SMS division. This division is led by Harold Baxandall, a 33-year veteran of Telus Corporation who was elected to the Board in September 2013. Management believes that the SMS market is under-served and market research by the Corporation indicates that there is a niche market in international SMS that can be exploited. Mr. Baxandall and his team are continuing work on the development of the division and expect their first customers to be on the system in the first half of fiscal 2015. Costs to bring the SMS product to market are negligible beyond the salaries of the division personnel, as the infrastructure to manage the traffic will be leased on a monthly basis.

Software and Network Infrastructure

Virtutone continues to invest in software development to manage its network of switches and route calls across its network using least cost routing tables and customer set pricing parameters. The Orca Wave software is paramount in allowing the Corporation's sales personnel and NOC to react to market conditions using real-time data.

Cyclical Nature of Business

Wholesale voice termination is not by its nature a cyclical or seasonal business. Certain destinations may periodically experience region-specific events that cause minor spikes or lulls in traffic, but overall these events are temporary and do not have a significant impact on the Corporation's operations.

Economic Dependence

Virtutone has not entered into any significant contracts, either with customers or vendors, which contain onerous contractual obligations, such as minimum traffic guarantees. The Corporation does, however, derive a significant portion of its revenue from a relatively small group of customers. Although Virtutone enjoys mutually beneficial relationships with each of these customers, the Corporation's operations may be severely impacted if one or more of these customers were to move their business to another provider.

Changes to Contracts

The Corporation does not expect to be significantly affected in the current financial year by renegotiation or termination of any contract or sub-contract.

Environmental, Health and Safety

To the best of Corporation's knowledge, it is in substantial compliance with all environmental and health and safety laws to which it is subject.

Employees

As at January 31, 2014, Virtutone had 11 full time employees located at its Sherwood Park office and a number of contract operators in various other locales.

Foreign Operations

The Corporation engages with a number of contract operators in the United States, Bolivia, Colombia and Egypt. The NOC is located in Egypt, which has experienced recent political unrest, and presents a potential risk to the Corporation. This unrest has had no effect on the operations of the NOC to date, and the Corporation has contingency plans in place in the event of a disruption. The remaining contract operators work out of their homes and the Corporation has no physical presence in those jurisdictions. See "*Risk Factors*".

DIVIDEND POLICY

The Corporation has never declared or paid any cash dividends on the Common Shares. The Corporation currently intends to retain future earnings, if any, for future operations, expansion and debt repayment. Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things, the Corporation's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant.

In addition to the foregoing, the Corporation's ability to pay dividends now or in the future may be limited by covenants contained in the agreements governing any indebtedness that the Corporation has incurred or may incur in the future including the terms of the Virtutone Credit Facility. Currently, the Virtutone Credit Facility does not place any limitations on the Corporation in respect of the payment of dividends.

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares, of which 41,196,830 Common Shares are currently issued and outstanding as at the date hereof. The holders of Common Shares are entitled to: dividends if, as and when declared by the Board; to vote at any meetings of the holders of Common Shares of the Corporation; and upon liquidation, dissolution or winding up of the Corporation, receive the remaining property and assets of the Corporation. All of the Common Shares outstanding are fully paid and non-assessable.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSXV under the symbol "VFX.V". The following table sets forth the high and low sales prices (which are not necessarily the closing prices) and the trading volumes for the Common Shares on the TSXV as reported by the TSXV for the periods indicated:

	Price Range ($)		Trading
Period	**High**	**Low**	**Volume**
2013			
May	0.20	0.14	282,300
June	0.34	0.20	743,500
July	0.295	0.17	466,823
August	0.30	0.22	763,850
September	0.315	0.215	910,300
October	0.27	0.17	1,248,400
November	0.45	0.255	3,332,559
December	0.435	0.35	1,193,850
2014			
January	0.485	0.315	3,420,268
February	0.57	0.465	1,617,558
March	0.57	0.41	3,164,544
April	0.52	0.39	6,646,331
May	0.45	0.35	3,964,024
June (1-19)	0.43	0.355	2,730,097

Prior Sales

The following table sets forth the Common Shares issued (or securities convertible into Common Shares) during the year ended January 31, 2014:

Date	Number of Securities	Issue Price Per Share ($)	Aggregate Issue Price ($)	Nature of Consideration
March 6, 2013	330,000	0.20	-	Options(1)
October 25, 2013	800,000	0.20	-	Options(2)
November 29, 2013	6,000,000	0.25	1,500,000	Units(3)
January 7, 2014	900,000	0.34	-	Options(4)
January 16, 2014	8,523,632	0.30	2,557,089.60	Units(5)
January 16, 2014	681,891	0.30	-	Broker Units(5)
January 27, 2014	4,808,166	0.30	1,442,449.80	Units(5)
January 27, 2014	384,653	0.30	-	Broker Units(5)

Notes:

(1) Represents the aggregate number of Options issued to certain officers, employees and consultants of the Corporation. Subsequent to the issuance of the Options, 300,000 Options that had been granted to Mr. Louis Acevedo were cancelled upon Mr. Acevedo resigning from the Corporation.

(2) Represents the aggregate number of Options issued to certain directors, employees and consultants of the Corporation.

(3) See "*General Development of the Business – Three Year History – Year Ended January 31, 2014*" for additional information in respect of the Non-Brokered Unit Private Placement and the securities issued pursuant thereto.

(4) Represents the aggregate number of Options issued to certain directors, officers, employees and consultants of the Corporation. 300,000 Options were issued to Mr. Brent Johnston upon joining the Corporation as Vice President, Finance of the Corporation and on January 31, 2014, Mr. Johnston was appointed as Chief Financial Officer of the Corporation. On February 7, 2014, Mr. Johnston resigned as Chief Financial Officer of the Corporation and his Options were subsequently cancelled.

(5) See "*General Development of the Business – Three Year History – Year Ended January 31, 2014*" for additional information in respect of the Brokered Unit Private Placement and the securities issued pursuant thereto.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Other than as set forth below, to the knowledge of management of the Corporation, none of the securities of the Corporation are held in escrow or are subject to a contractual restriction on transfer as at the date hereof.

Designation of Class	Number of Securities held in Escrow or that are Subject to a Contractual Restriction on Transfer	Percentage of Class
Common Shares	300,028 Common Shares(1)	0.73%
Common Shares	3,000,000 Common Shares(2)	7.28%

Notes:

(1) In connection with the Qualifying Transaction, all Common Shares (the "**Escrowed Shares**") which were issued to "Principals" (as such term is defined in the rules and policies of the TSXV) of the Corporation were considered "Surplus Securities" (as such term is defined in the rules and policies of the TSXV) and were placed into escrow pursuant to an escrow agreement dated June 30, 2008 between the Corporation, Olympia Trust Company (the "**Escrow Agent**") and the Principals. All of the Escrowed Shares have been released from escrow, other than those listed in the table above, which are subject to release on July 11, 2014.

(2) In connection with the Qualifying Transaction, the Corporation entered into a performance escrow agreement dated June 30, 2008, as amended September 12, 2013, (the "**Performance Escrow Agreement**") between Jason Allen ("**Allen**"), Shawn Lawrence ("**Lawrence**" and, together with Allen, the "**Vendors**"), the Corporation and the Escrow Agent, whereby the Escrow Agent is holding a portion of the purchase price (the "**Performance Escrowed Shares**") under the Qualifying Transaction subject to the performance of certain release conditions, which must be satisfied by January 31, 2015. The Escrow Agent is authorized to release the Performance Escrowed Shares to the Vendors, subject to compliance with the Performance Escrow Agreement: (i) upon receipt of direction from the Corporation at any time prior to January 31, 2015 that the Corporation's cumulative earnings before interest, taxes, depreciation and amortization (EBITDA) is $1,500,000 or greater; (ii) upon receipt of direction from the Corporation at any time prior to January 31, 2015 stating that the Liquidity Value (as defined in the Performance Escrow Agreement) for the Common Shares exceeds $0.25 per Common Share; or (iii) in certain circumstances if the Performance Escrowed Shares are to be tendered by a Vendor to a formal take-over bid pursuant to Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids* ("**MI 62-104**"), which is not exempt from the take-over bid requirements of Part 4 of MI 62-104 (collectively, the "**Vendor Release Conditions**"). The Escrow Agent is authorized to release the Performance Escrowed Shares to the Corporation for cancellation, subject to compliance with the Performance Escrow Agreement, if: (i) the Vendor Release Conditions are not satisfied prior to June 30, 2015; (ii) upon the one year anniversary of a Vendor ceasing to be a director, officer or employee of the Corporation for any reason other than a termination by the Corporation for Just Cause (as defined in the Performance Escrow Agreement) or a voluntary departure or resignation of the Vendor; or (iii) upon the date a Vendor ceases to be a director, officer or employee of the Corporation as a result of termination by the Corporation for Just Cause or a voluntary departure or resignation of the Vendor.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation and Security Holding

The following table sets forth certain information in respect to Virtutone's directors and executive officers:

Name, Province and Country of Residence	Position(s) with Virtutone	Principal Occupation During the Five Years Preceding
Jason Allen(1) Alberta, Canada	President, Chief Executive Officer and a Director	President and Chief Executive Officer of the Corporation since June 30, 2008. Co-founder of SatFax and President and a director of SatFax from inception in January 2007. Founder of MobileSat Communications Inc., a private mobile communications company servicing the forestry and oil and gas industry where he was President from November 2005 until December 2008.
Harold Baxandall(1)(2) Alberta, Canada	Vice President, Business Development and a Director	Vice President, Business Development of the Corporation since January 23, 2014. Prior thereto, Regional Vice President, Sales at Telus Corporation, a leading provider of telecommunication services from June 1980 to June 2013.
André Brosseau(1) Quebec, Canada	Director	Chairman and Chief Executive Officer of Avenue Capital Markets Inc., a private investment advisory boutique, since 2010. President of Blackmont Capital Inc. until June 2009. Chairman of Quebec Capital Markets until May 2010. Prior thereto, Mr. Brosseau was Managing Director, Head of Cash Equities and Co-Head of Global Cash Equities at CIBC World Markets Inc.

Name, Province and Country of Residence	Position(s) with Virtutone	Principal Occupation During the Five Years Preceding
Ronald Long[(2)] Texas, USA	Director	Vice President of Operations at Greenwell Energy Solutions, a provider of telecommunication and remote communication services, since April 2013. Independent businessman from January 2012 to March 2013. Vice President of Global Operations for Harris CapRock, a satellite communications provider, from June 1999 to November 2011.
William Woods Alberta, Canada	Chief Financial Officer	Chief Financial Officer of the Corporation since May 2014. Finance and Administration Manager of Rio Grande Mining from May 2012 to March 2014. Prior thereto, Mr. Woods was Chief Financial Officer of Liberty Mines from July 2009 to April 2012.

Notes:

(1) Member of the Audit Committee.
(2) Member of the Compensation and Governance Committee.
(3) Virtutone does not have an Executive Committee.
(4) Virtutone's directors will hold office until the next annual general meeting of the Corporation's shareholders or until each director's successor is appointed or elected pursuant to the ABCA.

As at the date of this Annual Information Form, the number of Common Shares beneficially owned, or controlled or directed, directly or indirectly, by all of the directors and officers of Virtutone is 4,223,500 Common Shares, which constitutes approximately 10.3% of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

Other than as noted below, to the knowledge of Virtutone, no director or executive officer of Virtutone (nor any personal holding company of any of such persons) is, as of the date of this Annual Information Form, or was within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including Virtutone), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Brosseau has been a director of Aptilon Corporation ("**Aptilon**"), a public company whose common shares are traded on the TSXV, since December 2006. On May 5, 2012, the Autorité des marchés financiers issued a cease trade order in respect of all of Aptilon's securities as a result of the failure to file annual audited financial statements, related management's discussion and analysis and certification of annual filings for the year ended December 31, 2011. On July 5, 2012, the British Columbia Securities Commission issued a cease trade order in respect of all securities of Aptilon as a result of the failure of Aptilon to file: (i) annual audited financial statements, related management's discussion and analysis and certification of annual filings for the year ended December 31, 2011; and (ii) interim unaudited financial statements, related management's discussion and analysis and certification of interim filings for the interim periods ended March 31, 2012. On July 9, 2012, the Manitoba Securities Commission issued a cease trade order in respect of all securities of Aptilon as a result of the failure of Aptilon to file annual audited financial statements, related management's discussion and analysis and certification of annual filings for the year ended December 31, 2011, and the Ontario Securities Commission issued a cease trade order in respect of all securities of Aptilon as a result of the failure of Aptilon to file: (i) annual audited financial statements, related management's discussion and analysis and certification of annual filings for the year ended December 31, 2011; and (ii) interim unaudited financial statements, related management's discussion and analysis and certification of interim filings for the interim periods ended March 31, 2012. On February 22, 2013, the Alberta Securities Commission issued an orders ceasing the trading of all securities of Aptilon as a result of the failure of Aptilon to file: (i) annual audited financial statements, related management's discussion and analysis and certification of annual filings for the year ended December 31, 2011; and (ii) interim unaudited financial statements, related management's discussion and analysis and certification of interim filings for the interim periods ended March 31, 2012, June 30, 2012 and September 30, 2012. On May 29, 2014, Aptilon filed applications with the Autorité des marchés financiers, as well as the securities regulatory authorities in each of the provinces of Ontario, Alberta, Manitoba and British Columbia, to lift the cease trade orders that were imposed between May 5, 2012 and February 22, 2013. As at the date hereof, the cease trade orders in each of the provinces of Quebec, Ontario, Alberta, Manitoba and British Columbia remain in place.

Bankruptcies

To the knowledge of Virtutone, except as described above, no director or executive officer of Virtutone (nor any personal holding company of any of such persons) or shareholder holding a sufficient number of securities of Virtutone to affect materially the control of Virtutone: (a) is, as of the date of this Annual Information Form, or has been within the ten years before the date of this Annual Information Form, a director or executive officer of any company (including Virtutone) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of Virtutone, no director or executive officer of Virtutone (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of Virtutone to affect materially the control of Virtutone, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial and/or director positions with other telecommunications companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA. See "*Risk Factors*".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Other than as disclosed below, the Corporation is not a party to any legal proceeding nor was it a party to any legal proceeding during the financial year ended January 31, 2014, nor is the Corporation aware of any contemplated legal proceeding involving the Corporation or any of its property which involves a claim for damages exclusive of interest and costs that may exceed 10% of the current assets of the Corporation.

A Statement of Claim was filed by the Corporation on August 13, 2013 with respect to collecting an outstanding debt of $130,699.67 owed by Cash Store Financial Services Inc., Cash Store NCC and LoansAlberta Inc., a debt of $20,039.62 owed by The Cash Store Australia PTY, and a debt of $10,805.17 owed by Cash Store Ltd. (UK).

On September 26, 2013, Cash Store Financial Services Inc., Cash Store Ltd. (UK), Cash Store NCC and LoansAlberta Inc. filed a counterclaim against the Corporation alleging that the Corporation owes $117,370.53 plus 2% interest for certain credits allegedly owed by the Corporation and alleging that they have suffered damages in the amount of $2,000,000 as a result of a four day loss of service. The Corporation has defended against the $2,000,000 counterclaim, denying liability on the basis that in the event of a loss of service a redundant communication system is activated, thereby ensuring continuity of service. The Corporation has also defended on the basis that the $2,000,000 in damages are grossly overstated, exaggerated, or inflated and that to the extent there was any loss of service it was caused by a third party for whom the Corporation is not responsible.

The merit of the allegations contained in the pleadings has not been tested by questioning.

On April 14, 2014, Cash Store Financial Services Inc. and its subsidiaries successfully applied to the Ontario Superior Court of Justice to seek protection from creditors under the *Companies' Creditors Arrangement Act*. As part of the Order granted by the Ontario Superior Court of Justice, all court actions presently underway were stayed and suspended pending further order.

Regulatory Actions

During the year ended January 31, 2014, there were no (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority; (ii) any other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, or (iii) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of any director or executive officer of the Corporation, any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Corporation's outstanding voting securities, or any associate or affiliate of any of the foregoing persons or companies, in any transaction within the three most recently completed financial years or during the current financial year which has materially affected or is reasonably expected to materially affect the Corporation, other than as disclosed elsewhere in this Annual Information Form.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Olympia Trust Company at its principal office in Calgary, Alberta.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business (unless otherwise required by applicable securities requirements to be disclosed), the Corporation has not entered into any material contracts during the last financial year, or before the last financial year which are still in effect.

INTERESTS OF EXPERTS

Names of Experts

The only persons or companies who are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or relating to, the Corporation's most recently completed financial year, and whose profession or business gives authority to the report, valuation statement or opinion made by the person or company, is Collins Barrow Calgary LLP, the Corporation's independent auditors.

Interests of Experts

Collins Barrow Calgary LLP is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Corporation's business and the telecommunications business generally.

Management of Growth

The Corporation may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Reliance on Material Customers

In certain segments of the Corporation's business, the Corporation relies on a small number of customers for a material portion of that business. There can be no assurance that the Corporation's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by additional sales to new or existing customers, could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Reliance on Key Personnel

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The Corporation does not have any key person insurance in effect for the Corporation. The contributions of the existing management team to the immediate and near term operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the telecommunications industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

Credit Facility Arrangements

The Corporation currently has the Virtutone Credit Facility and the amount authorized thereunder is dependent on the borrowing base determined by its lenders. The Corporation is required to comply with covenants under the Virtutone Credit Facility which may, in certain cases, include certain financial ratio tests, which from time to time either affect the availability, or price, of additional funding. Presently, the Virtutone Credit Facility carries a single covenant known as the "Current Ratio" (as defined in the Virtutone Credit Facility) which limits the Corporations ability to borrow amounts greater than the facility limit. In the event that the Corporation does not comply with these covenants, the Corporation's access to capital could be restricted or repayment could be required. Events beyond the Corporation's control may contribute to the failure of the Corporation to comply with such covenants. A failure to comply with covenants could result in default under the Virtutone Credit Facility, which could result in the Corporation being required to repay amounts owing thereunder. Even if the Corporation is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under the Virtutone Credit Facility, the lenders under the Virtutone Credit Facility could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness. The acceleration of the Corporation's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, the Virtutone

Credit Facility may impose operating and financial restrictions on the Corporation that could include restrictions on the payment of dividends, repurchase or making of other distributions with respect to the Corporation's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others.

The Corporation's lenders use a debt service coverage ratio, a total liabilities to tangible net worth ratio and other factors to periodically determine the Corporation's borrowing base. A material decline in revenues or a material increase in liabilities could reduce the Corporation's borrowing base, reducing the funds available to the Corporation under the Virtutone Credit Facility. This could result in the requirement to repay a portion, or all, of the Corporation's bank indebtedness. As at the date of this Annual Information Form, the Corporation is in violation of its debt service coverage ratio. As such, the Corporation may be demanded to repay the Virtutone Credit Facility. As at the date of this Annual Information Form, the Corporation's lenders have not demanded repayment of the Virtutone Credit Facility.

Additional Funding Requirements

The Corporation's cash flow may not be sufficient to fund its ongoing business plan at all times and from time to time, the Corporation may require additional financing in order to carry out its business plan. There is risk that if the economy and banking industry experienced unexpected and/or prolonged deterioration, the Corporation's access to additional financing may be affected.

Because of global economic volatility, the Corporation may from time to time have restricted access to capital and increased borrowing costs. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues decrease, it will affect the Corporation's ability to expend the necessary capital to execute its business plan. To the extent that external sources of capital become limited, unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Corporation's business may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Failure to obtain any financing necessary for the Corporation's capital expenditure plans may result in a delay in the Corporation's business development.

Insurance

Although the Corporation maintains insurance in accordance with industry standards, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, certain risks are not, in all circumstances, insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Corporation's business, financial condition and prospects.

Competition

The telecommunications industry is highly competitive in all aspects. The Corporation's competitors include some of the major telecommunications companies in the jurisdictions where the Corporation conducts business who have greater financial and human resources and greater name recognition than the Corporation. As well, if existing or new competitors gain market share, the Corporation's business and operating results could be adversely affected. The Corporation's future and existing competitors could also introduce products with superior features and functionality at lower prices than the Corporation's products, and could potentially bundle existing or new products with other more established products in order to compete with the Corporation. The introduction of new technologies, and any potential limitations or changes to the Corporation's network could have a materially adverse impact on the Corporation's business. Competitors could also gain market share by acquiring or forming strategic alliances with other competitors. If existing or future competitors seek to gain or retain market share by reducing margin on products sold, the Corporation may also be required to reduce the Corporation's margins or increase amounts payable to third parties, retailers, sales agents and resellers, which may reduce the Corporation's revenue and funds from operations.

International Operations

The Corporation carries on international operations in the United States, Bolivia, Colombia and Egypt. The Corporation could in future establish or acquire additional businesses in other jurisdictions outside Canada. Foreign operations of the Corporation are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, managing businesses under unfamiliar legal and regulatory regimes, difficulty in exercising control and implementing decision making through employees that are located greater distances from head office, local consumer resistance to "foreign" owned competitors, terrorism, hostage taking, military repression, extreme fluctuations in currency exchange rates, high rates of inflation, labour unrest, the risks of war or civil unrest and nationalization, renegotiation or nullification of existing concessions, licenses, permits, approvals and contracts, changes in taxation policies, restrictions on foreign exchange and repatriation, restrictions on dispensing of foreign currencies, and changing political conditions, currency controls and governmental regulations that favour or require the rewarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in investment policies or shifts in political attitude in a foreign jurisdiction where the Corporation is operating may adversely affect the operations or profitability of the Corporation in that foreign jurisdiction. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, price controls, export controls, currency remittance, income taxes, expropriation of property, and foreign investment. Employees and consultants retained by the Corporation in these jurisdictions (particularly cash loaders) can be subject to higher risk of threats to personal safety because of higher crime rates in some jurisdictions. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations of the Corporation. The NOC is located in Egypt, which has experienced recent political unrest, and presents a potential risk to the Corporation. This unrest has had no effect on the operations of the NOC to date; however, the Corporation has contingency plans in place in the event of a disruption. In the United States some of these risks and uncertainties are less because the United States has a more established and stable economy and banking system.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner and the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses may require substantial management effort, time and resources diverting management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services.

Market Price of Common Shares

The trading price of securities of telecommunications issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Corporation's performance could include macroeconomic developments nationally, within North America or globally, domestic and global technological advances or current perceptions of the technology market. Similarly, the market price of the Common Shares could be subject to significant fluctuations in response to variations in the Corporation's operating results, financial condition, liquidity and other internal factors. Accordingly, the price at which the Common Shares will trade cannot be accurately predicted.

Issuance of Debt

From time to time, the Corporation may enter into transactions to acquire assets or shares of other entities. These transactions may be financed in whole or in part with debt, which may increase the Corporation's debt levels above industry standards for telecommunications companies of similar size. Depending on future plans, the Corporation may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time, could impair the Corporation's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Variations in Foreign Exchange Rates and Interest Rates

The Canadian/United States dollar exchange rate, which fluctuates over time, consequently affects the prices received by the Corporation. Material increases in the value of the Canadian dollar relative to the United States dollar will negatively affect the Corporation's revenues.

To the extent that the Corporation engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Corporation may contract.

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, resulting in a reduced amount available to fund its activities, and if applicable, the cash available for dividends and could negatively impact the market price of the Common Shares.

Global Financial Markets

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels, have caused significant volatility in capital markets and credit markets. These events and conditions have caused a decrease in confidence in the broader United States and global credit and financial markets and have created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. While there are signs of economic recovery, these factors have negatively impacted company valuations and are likely to continue to impact the performance of the global economy going forward. This volatility may in the future affect the Corporation's ability to obtain equity or debt financing on acceptable terms.

High Dependence on Technology and Outsourcing of Information Technology

The Corporation's business and results of operations are highly dependent on technology and, as such, Virtutone's business faces many technology related risks. The Corporation leases software and outside services to operate its core business systems and a failure in those systems or in the operations of the Corporation's key suppliers could have a material adverse effect on the Corporation's business. This may result in the Corporation being unable to continue operations and may result in the loss of a shareholder's entire investment.

Income Taxes

The Corporation files all required income tax returns and believes that it is in full compliance with the provisions of the Tax Act and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Income tax laws relating to the technology industry may in the future be changed or interpreted in a manner that adversely affects the Corporation. Furthermore, tax authorities having jurisdiction over the Corporation may disagree with how the Corporation calculates its income for tax purposes or could change administrative practices to the Corporation's detriment.

Cost of New Technologies

The telecommunications industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other telecommunications companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. In such case, the Corporation's business, financial condition and results of operations could be affected adversely and materially. If the

Corporation is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could also be adversely affected in a material way.

Regulation

The provision of telecommunications services in Canada is regulated by the Canadian Radio-Television and Telecommunications Commission ("**CRTC**") pursuant to the *Telecommunications Act*. The CRTC have been actively promoting competition in the long-distance telecommunications market for over 20 years and these efforts continue. Future rules changes by any telecommunications regulator could change the landscape for our business operations

The *Telecommunications Act* gives the CRTC the power to regulate the provision of telecommunications services, and to forbear from regulating (e.g. not subject to rate regulation) certain services or classes of services if they are subject to a degree of competition which is sufficient to protect the interests of customers. However, forbearance may be partial and conditional, and for example, even when the CRTC forbears from price regulation in respect of a service, it can continue to regulate these services in other respects, such as for the purposes of ensuring network access and interconnection.

In the Federal Budget released on February 11, 2014, the federal government announced a proposal to amend the *Telecommunications Act* to cap wholesale wireless roaming rates to prevent wireless providers from charging other companies more than they charge their own customers for mobile voice, data and text services. This measure will be in place until the CRTC concludes its investigation on whether the wholesale mobile wireless market is sufficiently competitive and makes a decision on roaming rates. The CRTC review will also examine tower and network sharing arrangements. The review will include an oral hearing at the end of September 2014 with a decision expected in the first quarter of 2015.

The federal government also announced proposed amendments to the *Telecommunications Act* to provide the CRTC with the power to impose administrative monetary penalties on companies that violate established rules and rules related to the deployment of spectrum services to rural areas and tower sharing.

Litigation

In the normal course of the Corporation's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to licenses, software, patents, intellectual property and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. See "*Legal Proceedings and Regulatory Actions – Legal Proceedings*".

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Dividends

The Corporation has not paid any dividends on its outstanding shares. Payment of dividends in the future will be dependent on, among other things, the cash flow, results of operations and financial condition of the Corporation, the need for funds to finance ongoing operations and other considerations, as the Board of Directors of the Corporation considers relevant.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Conflicts of Interest

Certain directors or officers of the Corporation may also be directors or officers of other telecommunications companies and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See "*Directors and Executive Officers – Conflicts of Interest*".

Forward-Looking Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found under the heading "*Reader Advisory Regarding Forward-Looking Statements*" of this Annual Information Form. Additionally, readers are advised to refer to the risk factors contained in the Corporation's management's discussion and analysis for the year ended January 31, 2014 (the "**MD&A**") under the heading "*Business Risks*", which may be found on SEDAR at www.sedar.com

ADDITIONAL INFORMATION

Additional information relating to Virtutone may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Virtutone's securities and securities authorized for issuance under equity compensation plans is contained in Virtutone's information circular – proxy statement relating to the Corporation's most recent annual meeting of shareholders that involved the election of directors.

Additional information is also provided in Virtutone's financial statements and MD&A for the year ended January 31, 2014, which documents may be found on SEDAR at www.sedar.com.