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Company Summary

May 12, 2008

IP Applications Corp. (IPX : TSX-V)

Current Price : \$0.20

Coverage Initiated:
\$0.155 (March 3, 2008)

Highlights:

- 2007 gross margin improved to 43.6% from 40.3% in 2006
- focused on the growing Software as a Service (SaaS) market
- serving a smaller number of large contracts with a narrower range of products in order to increase efficiency
- revitalized balance sheet after \$1.2 million financing and convertible debenture settlement in November 2007

DISCUSSION:

IP Applications provides technologies and services that enable software companies and IP service providers to manage product plans, pricing, subscribers and payment over the internet. The company was founded in 1998 and has since grown both organically and through acquisition. A new management team took the helm in February 2006, and has since effectively streamlined IP Applications' products and services resulting in reduced operating costs and improved margins.

The company provides a flexible combination of technology, systems, and expertise for customers who have identified channels and products but who lack the delivery and support capabilities. IP Applications takes care of delivery, cash flow, and customer support for companies delivering online services while solving their subscriber management, payment processing, and end user satisfaction issues thus allowing clients to focus solely on their product marketing and technology. IP Applications' integrated Operational Support System (OSS) and Customer Care help desk services also dramatically reduce the cost, complexity and time to market online products and services.

IP Applications' services can be broken down into three primary areas including secure and certified datacenter support for subscription management, provisioning, billing and payment processing; end-user customer care via inbound and outbound telephone, email and online chat; and automated provisioning and control of third party products and services such as hosted application software (on-demand or SaaS products), internet access, security products and other internet content. Fees for these products and services are primarily recurring monthly and are earned on a per-end-user or per-minute basis. IP Applications currently has over 65 active service contracts in the US (90%) and Canada (10%). Some of the company's major clients include RE/MAX, Bell Mobility, AOL Canada, Sage Telecom and Melaleuca.

In November 2007, the company completed a \$1.23 million private placement through the issuance of 8,804,214 common shares at a price of \$0.14 per share. Pender Growth Fund (VCC) Inc. increased its shareholdings to 12,776,514 shares after purchasing an additional 6,785,714 shares through this private placement. In addition, Pender Growth Fund converted its outstanding convertible debentures into another 5,903,800 shares and now holds 40.2% of the shares outstanding. Furthermore, Pender Financial Group Corp. (PDF:TSX-V), the manager of Pender Growth Fund, now holds 3,348,599 (10.5%) common shares after acquiring 590,000 shares in the private placement and 1,858,600 shares through a similar debenture conversion. The two Pender organizations also surrendered a combined 1,350,000 common share purchase warrants.

During the first 6 weeks of 2008, IP Applications achieved certification to Payment Card Industry Data Security Standard (PCI-DSS) and also completed the implementation of a new transaction interface to the Canadian and US banking systems. The company now processes all of its clients' payments through its own PCI-DSS compliant data center, improving both cost and quality performance.

To become more efficient, IP Applications has focused on serving a smaller number of larger customer contracts with a narrower range of products. By utilizing this strategy, management was successful at stabilizing the business and improving margins in 2007, notwithstanding the decline in value of the US dollar. The company is now looking to further penetrate new markets in 2008 by focusing on its SaaS automation solutions. Market research has forecast an annual growth rate of 22.1% for SaaS product demand, more than double the growth rate of the enterprise software market as a whole. In 2006, IP Applications' revenues were comprised of 70% ISP services, 22% Enterprise Support, and 8% SaaS applications. During the fourth quarter of 2007, revenue breakdown changed considerably to 40% ISP services, 38% Enterprise Support, and 22% SaaS applications.

IP Applications currently has a market capitalization of just \$6.4 million and is trading at only 0.8X current annual sales. The company has developed a strong base of recurring revenue and is now expanding into higher-margin and higher-growth technology markets. IP Applications expects to continue to hover around break-even EBITDAS during this transition, while moving from a gross margin of around 44% in 2007 to over 50% in 2008. The company plans to be running profitably by the latter half of 2008 or early 2009. IP Applications may also make an attractive takeover candidate due to its technology, market share, and entrance into the SaaS market. While the potential sale of a company is never a guaranteed method to mitigate downside risk and ensure capital gains, comparable companies in this industry are typically acquired at about 3-4X revenues thus providing significant potential upside should a liquidity event transpire.

FINANCIAL SUMMARY (For the years ending December 31 - Canadian Dollars)

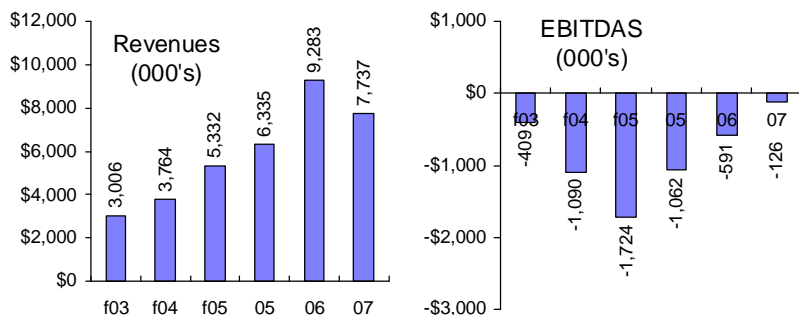
	f2003	f2004	f2005	2005*	2006	2007
Revenues	\$ 3,006,347	\$ 3,764,341	\$ 5,332,235	\$ 6,335,187	\$ 9,283,182	\$ 7,736,544
Gross Profit	1,466,666	1,443,199	1,828,948	2,324,390	3,190,892	3,370,020
EBITDAS	(408,866)	(1,090,275)	(1,723,559)	(1,060,910)	(590,858)	(126,477)
Net Income (Loss)	(585,174)	(1,317,220)	(2,265,712)	(2,877,237)	(2,883,453)	(910,025)
per share	(\$ 0.107)	(\$ 0.218)	(\$ 0.279)	(\$ 0.211)	(\$ 0.192)	(\$0.052)

* a change in year-end from March 31 to December 31 resulted in a shortened 9-month annual reporting period ended Dec. 31, 2005

LATEST FINANCIAL RESULTS

	3 Months Ended Dec. 31		Year Ended Dec. 31	
	2007	2006	2007	2006
Revenues	\$ 1,832,803	\$ 2,116,874	\$ 7,736,544	\$ 9,283,182
Direct Costs	1,098,050	1,264,263	4,366,524	5,542,523
Gross Profit	734,753	852,611	3,370,020	3,740,659
G&A Expense	409,367	570,465	1,490,115	1,768,531
Sales & Mktg. Exp.	65,793	238,174	362,599	999,574
Ops. & Devel. Exp.	366,507	327,291	1,416,154	1,365,834
Net Loss	*(280,016)	(1,360,639)	(910,025)	(2,883,453)
per share	(0.01)	(0.090)	(0.052)	(0.192)

* Includes foreign exch. loss of \$111,831 and accretion on conv. debenture of \$257,401



BALANCE SHEET

(As at December 31, 2007)

Current Assets	\$ 1,433,387
Total Assets	1,962,328
Current Liabilities	951,818
Long-Term Debt	41,938
Shareholders' Equity	760,274

SHARES OUTSTANDING

(As at December 31, 2007)

Basic	31,753,238*
Fully-diluted	34,886,738**

* management and insiders own approximately 53% of the basic shares issued and outstanding

** includes 12,776,514 shares held by Pender Growth Fund and 3,348,599 shares held by Pender Financial Group Corporation. Kelly Edmison is President of the Pender companies and Chairman of IP Applications

MANAGEMENT TEAM:

John Jacobson, *President & CEO, Director*

Richard Topham, *CFO & Secretary*

Tom Carter, *VP Operations*

Jason M. Grant, *Director of Development*

Kevin Lennox, *Director of Sales*

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