



MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (“MD&A”) for Call Genie Inc. (“CG” or the “Company”) should be read in conjunction with CG’s unaudited consolidated financial statements for the nine months ended September 30, 2007 and the accompanying notes. CG’s period end financial statements and the accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The information in this MD&A is current to October 31, 2007, unless otherwise noted.

Management is responsible for the information disclosed herein and believes it has developed effective disclosure controls and procedures and that such controls are effective and operating as planned as of September 30, 2007. There were no changes in the Company’s internal control over financial reporting during the three months ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting. The Company’s Audit Committee and Board of Directors have reviewed and approved this MD&A.

FORWARD LOOKING STATEMENTS

Certain information set out in this Management Discussion and Analysis constitutes forward-looking information. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "hope", "plan", "continue", "estimate", "expect", "may", "will", "intend", "could", "might", "should", "believe" and similar expressions. The forward-looking information set out in this Management Discussion and Analysis includes information, appearing under the heading "Outlook", respecting:

- (i) sources of call volume for the Yellowpages411 Service;
- (ii) sources of revenue from the deployment of the EVD Technology that are not dependent upon the number of merchants contracted for subscription fees;
- (iii) the deployment of YPG media assets to promote awareness of the EVD Service and use of such service;
- (iv) the timing of roll-out of the EVD-supported 411 directory assistance service to the wireless TELUS network and further expansion to the TELUS network such that the EVD-supported 411 service is available to accommodate wholesale traffic;
- (v) the percentage of 411 directory assistance inquiries that may be channeled to the EVD Service;
- (vi) anticipated revenue associated with the amended and extended commercial agreements with YPG;



- (vii) the time frames associated with trials of the EVD Service, timing of sales cycles and anticipated commencement of revenues after a commercial contract is executed;
- (viii) business plan assumptions relating to the number of contracts expected to be entered into with customers for the use of the EVD Service prior to the end of 2007;
- (ix) the value of expanded service offerings including bundling with print and Internet, to YPG customers and the competitive advantage associated with the same;
- (x) the anticipated financial impact in the first 18 months, of arrangements associated with recent Company announcements;
- (xi) revenue expectations for the Company for the years ending December 31, 2008 and December 31, 2009;
- (xii) profitability expectation for the Company for the year ended December 31, 2009.

Readers should review the cautionary statement respecting forward-looking information that appears below.

Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and, in some cases, information received from or disseminated by third parties, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include such things as the Company's current stage of development, its reliance on third parties and third party technology, the existence of competition and the other risk factors noted below under the heading "Business Risks and Uncertainties". **Accordingly, readers should not place undue reliance upon forward-looking information contained herein and the forward-looking statements contained in this Management's Discussion and Analysis should not be considered or interpreted as guarantees of future outcomes or results.**

- (i) Forward-looking information respecting sources of call volume for the Yellowpages411 Service are based upon experiences to date with the Yellowpages411 Service, discussions with representatives of YPG, the existing business plan for the Yellowpages411 Service (which is subject to change) and management's analysis of alternative means to increase call volume for the Yellowpages411 Service.
- (ii) Forward-looking information respecting expected sources of revenue from the commercial deployment of the EVD Service that are not dependent upon the number of merchants contracted for subscription fees is based upon experiences to date with the Yellowpages411 Service, discussions with representatives of YPG, discussions with other



potential customers and management's analysis of alternative means to diversify the revenue stream associated with the EVD Service.

(iii) Forward-looking information respecting the deployment of YPG media assets in support of the EVD Service (including the placement of information and user tips, together with reoccurring reminder ads, in new releases of Yellow Pages print directories) are based upon existing business plans and budgets (which are subject to change) and advice received from YPG with respect to marketing and promotional activities.

(iv) Forward-looking information respecting the timing of roll out of the EVD-supported 411 directory assistance service to the wireless TELUS network and further expansion to the TELUS network such that the EVD-supported 411 service is available to accommodate wholesale traffic is based upon the terms of the arrangements negotiated with YPG and TELUS, technical and business plans developed in relation to the 411 directory assistance service by the Company and others (which are subject to change), progress to date addressing technical integration issues, the existing business plan and budgets of the Company (which are subject to change) and advice received from YPG and TELUS.

(v) Forward-looking information respecting estimates of the percentage of 411 directory assistance calls that may be channeled to the EVD Service is based upon estimates of the initial results of a 411 directory assistance trial conducted with a Canadian provider of mobile telephone services during the first six months of 2006 and the percentage of callers to the EVD-supported TELUS landline 411 directory assistance service (British Columbia and Alberta) who have opted to undertake an EVD-supported business category search since the integration of the EVD technology with the TELUS 411 directory assistance service (landline) in July 2007.

(vi) Forward-looking information respecting the anticipated revenues under the amended and extended commercial agreements with YPG is based upon the terms of those agreements.

(vii) Forward-looking information relating to sales cycles for the EVD Service, the length of time required to complete trials of the EVD Service and the length of time after a commercial contract concludes until revenues are generated are based upon the Company's historical experiences with YPG, historical experiences other organizations that have conducted trials of the EVD Service, experiences with existing and potential customers, information sourced through discussions with other directory services providers and other potential customers and the experiences of senior management with the introduction of other technology products.

(viii) Forward-looking information relating to business plan assumptions for the number of customers contracting with the Company by the end of 2007 is based on the experience of management to date in marketing the EVD Service to potential customers, the general indications of market acceptance of business category search as a viable offering within the



directory assistance market and the status of ongoing negotiations with certain potential customers.

(ix) Forward-looking information relating to the value of expanded service offerings, including bundling with print and Internet products, to YPG customers and the competitive advantage associated with the same are based upon management's assessment of the demand for such expanded service offerings and discussions with YPG.

(x) Forward-looking information relating to the anticipated financial impact, over the next six to 18 months, of customer arrangements associated with recent Company announcements is based upon the terms of the contracts negotiated with counterparties and management's estimates as to the time required to penetrate local markets.

(xi) forward-looking information respecting revenue expectations for the Company for the years ending December 31, 2008 and December 31, 2009 are based upon management's estimates of revenues to be derived from existing customer arrangements, the terms of the agreements entered into with those customers, business plan assumptions respecting the number of additional customers who will enter into commercial arrangements with the Company to utilize the EVD Service during the balance of 2007 (one), 2008 (four) and 2009 (four) and the timing of execution and delivery of commercial agreements with those additional customers (one in the last quarter of 2007 and one per quarter during 2008 and 2009), the Company's ability to maintain a revenue share model consistent with recently executed contracts in any agreements entered into with new customers.

(xii) forward-looking information respecting profitability expectations for the Company for the years ending December 31, 2009 are based upon management's estimates of revenues noted above in (xi). In addition, profitability expectations are based on estimates of the expenses incurred in 2009. 2009 expense estimates are based on business plan assumptions related to the number of staff required to carry out the business plan objectives, the rate at which staff are paid, the timing of when new staff are required to be hired, the ability to train and provide facilities to the staff, and the ability to maintain the planned ratio of staff costs to other costs. Lastly, business plan assumptions related to non-cash items such as depreciation and stock option compensation impact profitability estimates.

Although the Company believes that the expectations reflected in such forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company does not assume responsibility for the accuracy and completeness of the forward-looking statements and such forward-looking statements should not be taken as guarantees of future outcomes. Subject to applicable securities laws, the Company does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances. The forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by the foregoing cautionary statement.



BUSINESS OVERVIEW

CG is a developer of voice technology applications, specializing in building comprehensive interactive speech recognition solutions for the directory services industry. The Company offers customized, location-based, enhanced voice directory solutions that allow consumers to locate, obtain information and connect with businesses located within the coverage area. In addition, the Enhanced Voice Directory (“EVD”) system developed by CG permits callers (including users of mobile phones) to connect through to identified merchants using only voice commands. CG utilizes third party technologies from both the Internet and telephony worlds and integrates them with CG’s proprietary processes to deliver a unique voice-web solution.

SUMMARY OF QUARTERLY RESULTS

	For the Quarters Ended							
	Dec 31 2005	Mar 31 2006	Jun 30 2006	Sept 30 2006	Dec 31 2006	Mar 31 2007	June 30 2007	Sept 30 2007
Revenue	\$ 95,027	\$ 115,046	\$ 144,188	\$ 177,841	\$ 261,171	\$ 293,363	\$ 353,356	509,859
Cost of sales	48,331	39,099	24,684	141,593	164,052	196,145	298,787	344,790
Gross margin	46,696	75,947	119,504	36,248	97,119	97,218	54,569	165,069
Expenses								
Technology and product development	241,146	352,368	494,848	519,896	618,296	699,600	727,634	1,025,225
Sales and marketing	170,684	398,287	560,080	635,402	796,238	858,341	991,565	1,164,159
General and administrative	233,873	411,799	374,428	418,941	529,777	681,502	808,403	1,155,668
Stock based compensation	157,161	83,720	111,986	147,077	416,691	191,611	486,973	96,424
Amortization	14,863	27,758	33,582	53,583	64,457	70,883	119,273	147,835
	817,727	1,273,932	1,574,924	1,774,899	2,425,459	2,501,937	3,133,848	3,589,311
Loss from Operations	(771,031)	(1,197,985)	(1,455,420)	(1,738,651)	(2,328,340)	(2,404,719)	(3,079,279)	(3,424,242)
Other income								
Interest income	15,246	27,045	87,409	85,870	69,010	51,283	205,994	320,649
Net loss for the period	(755,785)	(1,170,940)	(1,368,011)	(1,652,781)	(2,259,330)	(2,353,436)	(2,873,285)	(3,103,593)
Loss per share	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.05)	\$ (0.04)	\$ (0.04)	(0.04)



Overall

The Company's loss for the three months ended September 30, 2007 was \$3.1 million or \$0.04 per share, up 88% compared to a loss of \$1.65 million, or \$0.03 per share from the same period last year. The increased loss for the period was primarily the result of increased investment in all areas of the business. Sales & marketing costs increased \$0.53 million, technology and product development costs increased \$0.51 million, and general administrative costs increased \$ 0.74 million.

Revenues

Revenues for the three months ended September 30, 2007 increased to \$509,859 from \$177,841 in the three months ended September 30, 2006. Revenues for the nine months ended September 30, 2007 increased to \$1,156,578 from \$437,075 in the nine months ended September 30, 2006. The company's third quarter revenues are up \$156,503 compared to second quarter which is an increase of approximately 44%. The increase in revenue is attributable to the amendment of the agreement with our Yellow Pages customer along with implementation fees earned on new contracts. In the nine months ended September 30, 2007, the Company earned majority of its revenue from YPPs. The Company earned revenue from multiple sources including consulting and implementation fees, merchant subscription fees, transactional processing fees and hosting fees.

Cost of Sales

The cost of sales for the three months ended September 30, 2007 increased to \$344,790 from \$141,593 in the three months ended September 30, 2006. The cost of sales for the nine month period ended September 30, 2007 increased to \$839,721 from \$205,376 in the nine months ended September 30, 2006. The increase was due to the staff resources required to support customer specific activities related to market trials and implementations of the Company's EVD system. Increases also resulted from increased direct costs incurred in the operation of the EVD Service, including telephony costs, hosting, network, voice recordings and other third party charges.

Expenses

The expenses for the three months ended September 30, 2007 increased to \$3,589,311 from \$1,774,899 for the three months ended September 30, 2006. The expenses for the nine months ended September 30, 2007 increased to \$9,225,096 from \$4,623,755 for the nine months ended September 30, 2006. The increase in expense is primarily due to the increase in staff resources in all operational areas of the business. As at September 30, 2007 the company had 98 full time staff compared to 47 at September 30, 2006.



Sales & Marketing

Sales & Marketing costs of \$1,164,159 were incurred for the three months ended September 30, 2007 compared to \$635,402 for the same period in 2006. The costs for the nine months ended September 30, 2007 were \$3,014,066 compared to \$1,593,769 for the nine months ended September 30, 2006. The increase of \$528,757 for the three months ended September 30, 2007 is primarily attributable to the number of individuals engaged either directly or on contract to undertake business development, account management or marketing activities. At September 30, 2007, the Company engaged 22 individuals (14 in business development, 6 in account management and 2 in marketing) compared to 10 individuals at September 30, 2006 (6 in business development and 4 in account management). Salaries, commissions and benefits for these individuals represent an increase of approximately \$267,000. Required travel for these personnel caused travel expenses to increase by approximately \$109,000 compared to the same period last year. Conference fees also increased by approximately \$79,000 for the three months ended September 30, 2007 compared to 2006 as a result of attending, sponsoring and conducting meetings at yellow pages and directory assistance industry conferences in the United States and Europe. During the quarter the company made two key new hires: a new Senior Vice President of Global Sales and Vice President of European Sales.

Technology and Product Development

Technology and product development costs of \$1,025,225 increased by \$505,329 for the three months ended September 30, 2007, compared to \$519,896 for the same period of 2006. The costs for the nine months ended September 30, 2007 were \$2,452,459 compared to \$1,367,112 for the nine months ended September 30, 2006. At September 30, 2007, the Company had 33 staff tasked to carry out further development of the product software and processes in support of new product launches and continued enhancement of our product and consumer needs. This compared to 14 staff at September 30, 2006. Personnel costs consisting of employee salary and benefits and consulting fees increased approximately \$202,000 over the same period last year.

General and Administration

General and administration costs of \$1,155,668 increased by \$736,727 for the three months ended September 30, 2007, compared to \$418,941 for the same period in 2006. The costs for the nine months ended September 30, 2007 were \$2,645,573 compared to \$1,205,168 for the nine months ended September 30, 2006. The increases were consistent with the infrastructure costs required to execute on the Company's business plan. Primarily the increase was due to 1) increased salaries and benefits due to addition of new staff, 2) increased office rent and supplies due to opening of Toronto office 3) increased recruiting fees associated with a recruitment drive near the end of the quarter, and 4) professional fees,



agency fees and shareholder communication costs related to the operation of a public company due to additional financing activities related to private placement.

Stock based compensation

Stock based compensation expense for the three months ended September 30, 2007 was \$96,424 compared to \$147,077 for 2006. Stock based compensation expense for the nine months ended September 30, 2007 was \$775,008, an increase of \$432,225 from \$342,783 for the nine month period ended September 30, 2006. The expense calculated using the Black-Scholes method, recognizes the expense over the vesting period which results in a higher expense in the initial year an option is granted. The year to date increase was due to the number and timing of options granted under the Company's stock option plan and warrants due to the private placement. In addition, the volatility rate increased to 97% in 2007 compared to 83% reported during the first nine months of 2006.

Interest Income

CG earned interest income of \$320,649 on cash and term deposits received for the three months ended September 30, 2007, compared to \$85,870 for the three months ended September 30, 2006. The interest income for the nine months ended September 30, 2007 was \$577,925, compared to \$200,324 for the same period in 2006. The increase in interest income was as a result of having increased cash balances resulting from the closing of the private placement of common shares completed in May 22, 2007.

Net Loss

As a result of the foregoing, CG's net loss for the three months ended September 30, 2007 was \$3,103,593 which was \$1,450,812 higher than the net loss for the same period in 2006. The net loss for the nine month period ended September 30, 2007 was \$8,330,314 which was \$4,138,582 higher than the net loss for the same period in 2006.

COMPENSATION OF KEY OFFICERS AND DIRECTORS

Key Officers – Cash Remuneration

The following table sets out information concerning the compensation paid and payable to the officers noted below as at September 30, 2007 for the nine months ended September 30, 2007.



Position	Name	Nine Months Ended September 30, 2007
Chief Executive Officer	Michael E. Durance	\$225,000
Senior Vice-President of Global Sales	Fred Moroni	\$35,833
Senior Vice President of Research and Development	Eric Fredine	\$135,000
Chief Financial Officer	Christopher Shelton	\$135,000

Compensation of Directors

No cash compensation was paid to directors, in their capacities as directors for the three and nine months ended September 30, 2007.

FINANCIAL CONDITION

Selected data on financial position	As at Sept. 30	As at December 31	As at Sept. 30
	2007	2006	2006
Cash and cash equivalents	\$ 27,024,224	\$ 5,930,024	\$ 7,863,464
Net working capital	\$ 27,526,996	\$ 5,869,270	\$ 7,792,926
Total assets	\$ 29,027,716	\$ 6,961,759	\$ 8,670,961
Total long-term liabilities	\$ -	\$ -	\$ -
Total liabilities	\$ 588,407	\$ 578,757	\$ 445,320
Shareholders' equity	\$ 28,439,309	\$ 6,383,002	\$ 8,225,641

Outstanding Share Capital

CG's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized and 77,651,493 common shares were outstanding at September 30, 2007, compared to 53,217,074 shares at December 31, 2006. During the nine months ended September 30, 2007, 22,882,448 shares were added due to various private placements for total gross proceeds of \$30,000,000. During the nine months ended September 30, 2007, 1,551,971 options and warrants were exercised, for aggregate proceeds of \$1,068,111. Further information on CG's outstanding share capital is provided in Note 5 to the Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Assets

CG's total asset base as at September 30, 2007 was \$29.0 million, up \$22.1 million from December 31, 2006. Cash and cash equivalents increased \$21.1 million mainly due to private placements completed during the nine months ended September 30, 2007. Accounts



receivable increased approximately \$451,689 mainly due to receivables related to YPG and increased interest earned. The increase was the result of higher interest rates from cashable guaranteed investment certificates applied to the higher cash balance.

Working Capital

At September 30, 2007, the Company had a positive working capital of \$27.5 million. The recent financing activities noted above have added approximately \$28.5 million to working capital. See the information set out under the heading "Business Risks and Uncertainties" below.

Cash and cash equivalents

At September 30, 2007, the Company's cash and cash equivalents amounted to approximately \$27 million compared with \$5.9 million at December 31, 2006. The increase was due to the recent financing activities noted above.

On November 9, 2007, the company completed the acquisition of 100% of the issued and outstanding equity of BTS Logic Europe ApS ("BTSL") for \$1,500,000 USD.

OUTLOOK

Canadian Market - Yellowpages411

The EVD Service is commercially available in Canada in all major population centers in Ontario, Alberta and British Columbia under the Yellow Pages Group of Canada ("YPG") brand "YellowPages411". The EVD Service is an interactive voice recognition-based service that provides access to merchant information for the most popular consumer categories associated with YPG's directories. The YellowPages411 Service currently encompasses over 1,800 category headings focused on business to consumer content. At present, the location search capability built into the EVD Service covers 4,482 cities and towns, 3,134 neighborhoods, 9,621 landmarks and over 28,666 intersections in Canada. The database includes over 2,128,000 listings available for search.

Management of CG believes that the ultimate success of Yellowpages411 is dependent upon the number of calls directed to merchants through the Yellowpages411 Service. (As well, management of CG believes that the success of the EVD technology in general is dependent upon the number of calls directed to merchants in other service areas in which the EVD Service is deployed.) At the current time, the Company's business plan contemplates that call volume will be derived from two primary sources: (i) the integration of the Yellowpages411 service with directory assistance services offered by 411 providers (as a result of which a subset of callers seeking directory assistance may be channeled to the Yellowpages411



service); and (ii) to a lesser degree, promotion of a “vanity” number, such as 310-YELO, leading to direct calls to the YellowPages411 Service by persons wishing to undertake a business category search.

In July 2007, steps were taken to integrate the Yellowpages411 Service with the TELUS 411-directory assistance service in western Canada. At this time, the EVD supported 411 directory assistance service offered by TELUS is available for landline calls in Alberta and British Columbia. CG management expects that the rollout of the EVD-supported 411 service to the wireless TELUS network will occur in the 4th quarter of 2007 with further expansion to the TELUS network wholesale traffic during the first quarter of 2008. Introduction of this integrated service has resulted in increased caller volume to the Yellowpages411 Service. Initial results indicate that approximately 4.5% of directory assistance callers selected an EVD-supported business category search. Readers should note that, to date, there have been no advertising campaigns undertaken to improve customer awareness of the EVD-supported business category search option. As well, the EVD Service is targeted at the mobile consumer and integration of the EVD technology with the TELUS mobile network has not yet occurred.

Based the results noted above and a 411-directory assistance trial conducted in cooperation with Rogers Telecom during the first six months of 2006, management of CG estimates that 5% – 10% of 411 directory assistance calls may be channeled to the EVD Service, as callers chose an EVD-supported business category search over a standard 411 assistance inquiry. Based upon third-party information, management of CG estimates that the TELUS service (including wholesale traffic) processes approximately 50% of the 411 directory assistance inquiries made in Canada annually. Based on various reports and inputs, management of CG believes that approximately 200 million directory assistance inquiries are made in Canada on an annual basis.

In addition to the integrated 411 directory assistance service, YPG offers the YellowPages411 Service to consumers directly via a toll free call. It is accessed by dialing “310-YELO” (310-9356), or “#YELO” (#9356) on Bell Mobility, Rogers or Fido. YPG continues to promote consumer use of the EVD Service by utilizing existing YPG media assets. YPG promotes the YellowPages411 brand through its print services and its on-line services. YPG places (and is expected to continue to place) information and user tips (together with re-occurring reminder ads) in new releases of the Yellow Pages print directories for the service areas where the EVD Service is offered. As well, YPG has established a website, www.yellowpages411.ca, to promote the Service, address FAQ’s and generate sales leads. Other internet sites such as Canada411.com, YellowPages.ca, and TorontoPlus.ca, which are among the most visited internet sites in Canada, have also featured YellowPages411 co-promotions. From the inception of the YPG project through October 31, 2007, approximately 260,000 information searches were conducted utilizing the EVD Service.



Under the commercial arrangement between the Company's wholly-owned subsidiary, Call Genie (Ontario) Inc. ("CGOI") and YPG, CGOI derives revenue from merchants who pay to obtain an EVD listing. Effective May 1, 2007, CGOI agreed to certain amendments to the commercial agreements with YPG and extended the term of those agreements by two years to December 31, 2010. The commercial agreements with YPG, as amended and extended, provide for aggregate payments of \$4.3 million to Call Genie for the provision of its technology and the delivery of maintenance and support services over the remaining term of the commercial agreements. In addition, CGOI is entitled to a percentage of the gross revenues derived by YPG from the Yellowpages411 Service. Under the YPG commercial agreements, CGOI's revenue share is calculated on a sliding scale basis, with the percentage of annual revenue received by CGOI from the Yellowpages411 Service reducing as increased revenue targets are achieved. The commercial agreements with YPG do not provide for any limit on the amount of revenue that may be earned by CGOI.

YPG and Call Genie continue to review and evaluate additional commercial products in an effort to maximize the deployment of the Yellowpages411 Service. For example, a pay-for-performance trial is in the planning phase. Under the pay-for-performance model, participating merchants will only pay for calls that they actually receive from consumers who utilize the EVD Service. Also, expanded service offerings, including bundling with print and internet products are being reviewed. Management of CG believes that these additional products would have value for YPG customers and provide YPG with an advantage over competitive print directory providers. The success of these products is dependent on consumer use of the Yellowpages411 Service. On a going forward basis, Call Genie management expects revenues to be derived from several sources (consulting fees, maintenance and support fees, pay-per-call fees, and banner advertisements) that are not dependant on the number of merchants contracted for subscription fees.

Technology Development

Further development and improvement of the EVD Service is an ongoing process. At this time, technology development is focused on: (i) the creation of tools to support the efficient commercial deployment of the EVD Service in other urban areas, (ii) enhancing the usability of the EVD Service based upon consumer and merchant feedback, (iii) enhancing application scalability to support deployment in additional markets or with additional partners (or both), (iv) 411 directory assistance research and development (relating to implementation, deployment, pilot parameters and test environments), (v) the expansion and enhancement of key success indicators/metrics, in an effort to facilitate the rapid determination of caller behavior and implementation of learnings, (vi) the creation of more robust and in-depth tuning and transcription tools, (vii) the creation of multi-modal capabilities for input and output of search requests and results presentation, (viii) the development work required to support a multi-lingual system, including the support of French followed by Spanish, and (ix) the integration of the current EVD technology with the technology of "BTSL".



Product Line Extension

The intellectual property of BTSL expands the product offering Call Genie is able to make available to its customers. BTSL is a provider of directory assistance solutions for traditional business name lookup services and operator workstation solutions. The BTSL technology is complementary to the Company's existing technology. This product line extension allows Call Genie to offer a full service business finder solution. Management of CG considers the BTSL technology to be a logical extension of the Company's voice-enabled local search solution.

Global Market Opportunity

The Kelsey Group, an independent organization that provides analysis of the directory services industry, has estimated advertising revenues from print Yellow Pages, Internet Yellow Pages (IYP) and Local Search will grow from \$30.6 billion in 2006 to \$38.9 billion globally in 2011, representing a 4.9 percent compound annual growth rate (CAGR). The Kelsey Group expects the print Yellow Pages segment of the global directories marketplace to grow from \$26.5 billion in 2006 to \$27.8 billion in 2011 (0.9 percent CAGR). The online segment, which comprises IYP and local search advertising, is expected to grow from \$4.1 billion in 2006 to \$11.1 billion globally in 2011 (22.3 percent CAGR).

The Kelsey Group also expects U.S. mobile search advertising revenues to grow from US\$33.2 million in 2007 to US\$1.4 billion in 2012, representing a compound annual growth rate of 112 percent. In a new mobile consumer study conducted by The Kelsey Group with research partner ConStat, 9.8 percent of respondents used their mobile phones to conduct Internet searches for products and services in their local area. During the same period, 10.7 percent downloaded or looked at maps, while 10.9 percent indicated they had downloaded search or mapping applications (for use on the Internet) to supplement those that came with their mobile phones.

International Expansion

The Company's existing business strategy is based on leveraging its technology with prospective international customers. This strategy has been augmented with the recent BTSL acquisition. Management of CG believes that BTSL, with seven customers in Europe and the Middle East, provides product synergies and cross selling opportunities within the combined customer list.

Business Development activities continued to progress during the first three quarters of 2007. As at September 30, 2007, the Company's Business Development group consisted of fourteen individuals. The Company's Business Development staff has been tasked with responsibility to identify and pursue international expansion opportunities.



Discussions are ongoing with approximately 75 Yellow Pages Providers, Directory Assistance Providers, and Online Service Providers in North America, Europe and elsewhere, which represent potential customers for the Company. Currently, CG expects a long sales cycle for new customers that could extend beyond one year in each case due to the nature of the business model. A preliminary step towards the development of a contractual relationship is generally the signing of a memorandum of understanding, which outlines the activities and responsibilities of the parties in relation to a trial of the EVD Service within a limited geographical area. Trials are expected to last between six and nine months, depending on the opportunity, before a commercial contract could be finalized. Realization of revenue streams may take up to 18 months after a contract is finalized, depending on the customer's ability to sell the service to its merchants and/or consumers.

In the last six months, the Company made several announcements with respect to new customer initiatives. The Company announced the execution and delivery of software service agreements with RH Donnelly (a Yellow Pages Provider) and Verizon Services Corp. (a 411 provider). These Agreements set out the terms and conditions under which the Company's wholly-owned subsidiary, Call Genie USA, Inc. may provide services over a five year term. The Company also announced contracts with Cellwand Inc. and America Say Hello Inc. as well as a trial with TELUS with respect to the launch of its EVD-supported directory assistance service in the United States. The specific revenue generated from each of these opportunities is dependent on a number of factors, and individually the contracts associated with these announcements may not generate any material revenue over the course of the next 15 months.

The Company's current business plan contemplates that CG will contract with one additional customer in North America for the implementation of EVD Service prior to the end of 2007. Overall, CG management believes that the Company is now well positioned, from a business development perspective, to take advantage of the international market opportunities. Including the BTSL customer group, Call Genie has 14 customers in North America, Europe and the Middle East. Management of Call Genie estimates revenues for the year ended December 31, 2008 to range from \$7.0 million to \$9.0 million and to increase by over 200% in 2009 resulting in net profitability for the year.

BUSINESS RISKS AND UNCERTAINTIES

The business of CG is subject to numerous risk factors, as more particularly described below. An investment in, and ownership of common shares of, CG should be considered highly speculative due to the nature of CG's business and its current stage of development.

Substantial Capital Requirements; Liquidity

Because the costs associated with further development of CG's technology and business and CG's ability to generate revenue will depend on a variety of factors (including the ability of



CG to meet its development schedule, consumer and merchant acceptance of the EVD Service), additional funds may be required to advance and expand CG's business. Additional funds (whether through additional equity financing, debt financing or other sources) may not be available, may not be available on terms acceptable to CG or may result in significant dilution to CG Shareholders. The inability to obtain additional funds may have a material adverse affect on CG's business, results of operations, and financial condition.

No Record of Profit

CG has incurred significant losses to date, and there can be no assurance that the future business activities of CG will be profitable. Since its organization, CG has incurred costs to develop and enhance its technology, to establish strategic relationships and to build administrative support systems. CG has incurred negative operational cash flow to date. CG incurred losses from operations of \$8,330,314 for the nine months ended September 30, 2007, \$6,451,062 for the year ended December 31, 2006, \$2,148,166 for the year ended December 31, 2005; \$1,895,160 for the year ended December 31, 2004 and \$925,024 for the year ended December 31, 2003. CG's ability to operate profitably and generate positive cash-flow in the future will be affected by a variety of factors (including its ability to further develop and test the EVD technology on schedule and on budget, the pace of its entry into its target markets, the time and expense required for the roll-out of the EVD Service, its success in marketing such service to consumers and merchants, the intensity of the competition experienced by CG and the availability of additional capital to pursue its business plans, including development of new services). An inability to generate sufficient funds from operations will have a materially adverse affect on CG's business, results of operations and financial condition.

Developing Market

CG is developing a new service and, as such, the primary market for CG's software and services is underdeveloped and has not been precisely defined. As is typical in the case of a new evolving industry segment, the demand for the Company's services is subject to a high level of uncertainty. If the markets for the EVD Service fail to develop, develop more slowly than expected or become saturated with competitors, or if the EVD Service does not achieve and maintain market acceptance, CG's business, results of operations and financial condition will be materially adversely affected.

Stage of Development

CG's prospects are subject to all of the risks inherent in a new business.

CG commenced limited operations in 2000, but was essentially dormant until 2003. CG has yet to fully commercialize and achieve proof of concept for any services on a national basis. To date, CG has only implemented the EVD Service commercially in the Greater Toronto Area and in certain other areas in Southern Ontario. In the first quarter of 2007, the EVD



Service was expanded to Alberta and British Columbia. There can be no assurance that a national rollout of the EVD Service will yield the desired or required results. Any failure to achieve the desired or required results during the commercialization phase may have a material adverse effect on CG's business, results of operations and financial condition.

There can be no assurance that CG will be successful in addressing the challenges to which it will be exposed. If CG is not successful in addressing such challenges, CG's business, results of operations and financial condition could be materially adversely affected.

Reliance on Others Generally and Yellow Pages Group Co. in Particular

CG's principal business (the provision of the EVD Service) and the success of its business model will be dependant on CG's ability to secure contracts with directory service providers and to obtain access to databases owned and maintained by such directory service providers. Given the industry concentration and limited number of directory services providers of significant size and scope in North America, CG will be reliant on a small number of business relationships for its future revenue. For instance, there is only one significant directory service provider in Canada.

CG will seek to reduce this risk by entering into long-term contracts with certain directory service providers. However, any disruption in CG's relationships with directory service providers, or an inability to secure new business relationships with directory service providers could materially adversely affect CG's business, results of operations and financial condition.

To date, CG has only entered into a long-term contract with one directory service provider, Yellow Pages Group Co and one directory assistance provider in the United States. CG's future success will be dependant upon these contracts remaining in full force and effect, compliance with the terms of such contracts on the part of other parties thereto and CG's ability to perform its obligations thereunder, including achieving successful commercial launch of the EVD Service on a national basis. Any disruption of the relationship with Yellow Pages Group Co. or the directory assistance provider in the United States (through termination of the contract or otherwise) or any interruption of the business (such as any disruption in its labour relations with its unionized general sales force) may have a material adverse effect on CG's business, results of operations and financial condition.

Third Party Technology

In providing the EVD Service, CG is, and will continue to be, dependent on technologies and infrastructure that are beyond CG's control, including landline and cellular telephone networks, directory databases and speech recognition and text-to-speech applications. There can be no assurance that if weaknesses or errors in third party software or hardware are detected, CG will be able to correct or compensate for such weaknesses or errors. If CG is unable to address weaknesses or errors and the EVD Service is therefore unable to meet



consumer or merchant needs or expectations, CG's business, results of operations and financial condition will be materially adversely affected. In addition, there can be no assurance that the Company will continue to have access to required third-party technology on terms acceptable to Call Genie. If CG is unable to obtain third party technology on acceptable terms, CG's business, results of operations and financial condition will be materially adversely affected.

Rapid Technological Change

The technology industry is subject to rapid change, and any inability on the part of CG to adapt to such change may have an adverse affect on CG's business, results of operations and financial condition. The effect of new developments and technological changes on the business sector in which CG is active cannot be predicted. Such developments would include, but are not limited to, failure of the speech recognition industry to provide ongoing improvements in speech recognition and text-to-speech engines, a slow down in the deployed base of voice platforms in the North American market place, to such an extent as to create financial uncertainty for the speech technology providers, an unexpected trend in the voice industry away from open standards programming languages towards unique proprietary application development and consumer backlash against the ongoing proliferation of voice technologies. CG's failure to adapt to any of the above could have a material adverse effect on CG's business, results of operations and financial condition.

Competition

CG expects to face significant competition from other organizations and there can be no assurance that CG will be able to compete effectively in its target markets. Similar technologies have begun to emerge that are competitive with the EVD Service technology. Certain organizations with substantially greater financial and human resources than the Company have active research and development initiatives involving the development of voice search capabilities and are attempting to deploy that technology on a commercial basis. Should CG be unable to secure additional customers due to competitive technologies a material adverse effect on CG's business, results of operations and financial condition could result.

In addition, advances in communications technology as well as changes in the marketplace and the regulatory and legislative environment are constantly occurring and any such change could have a material adverse impact on CG. CG expects that competition will intensify in the future, as the EVD Service and the opportunities presented thereby become better known.

Need for Research and Development

To achieve its business objectives and obtain market share and profitability, CG will need to continually research, develop and refine the EVD Service and the underlying technology and create new technologies and offer new services. Many factors may limit CG's ability to



develop and refine the technology or to create or negotiate access to new technologies. CG may also be exposed to marketplace resistance to new technology and services. Any failure of CG to develop or refine the EVD Service and the underlying technology, or create new technologies or offer new services could have a material adverse effect on CG's business, results of operations and financial condition.

Defects and Liability

The hardware and software utilized to deliver the EVD Service is complex and sophisticated and may contain design defects or software errors that are difficult to detect and correct. There can be no assurance that the EVD Service technology will be free from errors or defects, or, if discovered, that CG will be able to successfully correct such errors in a timely manner or at all. Errors or failures in the technology could result in loss of or delay in market acceptance of the EVD Service and correcting such errors and failures could require significant expenditures. Because of the limited number of directory service providers, the reputational harm resulting from errors and failures will be damaging to CG. The consequences of such errors and failures could have a material adverse effect on CG's businesses, results of operations and financial condition.

Patents and Other Intellectual Property

While CG has applied for patents for certain elements of the EVD Service, there can be no assurance that such applications will result in the granting of patent protection. Competitors may have filed patent applications or hold issued patents relating to services or processes competitive with those that CG is developing. Any patents covering elements of the EVD Service granted to third parties (or the inability of CG to successfully challenge such patents) may impair CG's ability to do business in a particular area. Others may independently develop similar services or duplicate unpatented elements of the EVD Service.

CG's success will be largely dependent upon its ability to protect its proprietary technology. CG relies upon copyrights, trademarks and trade secrets to protect its intellectual property. Where appropriate, CG also enters into non-disclosure agreements with persons to whom it reveals proprietary information. Any failure or inability on the part of CG to protect its intellectual property could have a material adverse effect on CG's business, results of operations and financial condition.

CG may have to engage in litigation in the future to enforce or protect its intellectual property rights or to defend against claims of invalidity and CG may incur substantial costs as a result. Any claims or litigation initiated by CG to protect its proprietary technology could result in significant expense to CG and diversion of the efforts of CG's technical and management resources, whether or not the claims or litigation are determined in favor of CG.



Ability to Manage Growth; Transition from Research and Development Company to Operating Company

Responding to consumer and merchant demands, expansion into other geographical markets and targeted growth in CG's business has placed, and is likely to continue to place, significant strains on CG's administrative and operational resources and increased demands on its internal systems, procedures and controls. If CG experiences rapid acceptance of the EVD Service, the need to manage such growth will add to the demands on CG's management, resources, systems, procedures and controls. There can be no assurance that CG's administrative infrastructure, systems, procedures and controls will be adequate to support CG's operations or that CG's officers and personnel will be able to manage any significant expansion of operations. If CG is unable to manage growth effectively, CG's business, operating results and financial condition will be materially adversely affected.

Personnel Resources

CG is (and will continue to be) reliant upon its management and technical personnel to anticipate and address consumer and merchant demands in the areas of software development, customer service, marketing, finance, strategic planning and management. There can be no assurance that qualified management or technical personnel will be available to CG in the future. The success of the operations and activities of CG will depend to a significant extent on the efforts and abilities of its management and technical personnel. The loss of services of any of its management or technical personnel could have a material adverse effect on CG's business, results of operations and financial condition.

Potential Fluctuations in Quarterly Operating Results

CG is expected to be exposed to significant fluctuations in quarterly operating results caused by many factors, including changes in the demand for the EVD Services, the introduction of competing technologies, market acceptance of such enhancements or services, delays in the introduction of such enhancements or services, changes in CG's pricing policies or those of its competitors, the mix of services sold, foreign currency exchange rates and general economic conditions.

Government Regulation

The directory services business is largely unregulated at this time (apart from federal, provincial, state and local laws and regulations applicable to businesses in general and respecting the gathering and use of personal information). However, there can be no assurance that this business will not become subject to significant regulatory intervention in the future.



Costs Associated with Compliance with Securities Laws

CG is a publicly traded corporation subject to all of the obligations imposed on “reporting issuers” under applicable securities laws and all of the obligations applicable to a listed company under stock exchange rules. Direct and indirect costs associated with public company status have escalated dramatically in recent years and regulatory initiatives under consideration may further increase the costs of being public in Canada and could have a material adverse effect on CG's business, results of operations and financial condition. If CG is unable to generate significant revenues from business operations, the cost of complying with applicable regulatory requirements will represent a significant financial burden to CG and may have a material adverse effect on CG's business, results of operations and financial condition.

Risk of Future Terrorist Attacks or Related Disasters

The terrorist attacks of September 11, 2001 had an adverse impact on various regions of the North America and on a wide range of industries. In the future, civil unrest, economic recession, war and additional acts of terrorism may adversely impact the North American and global economies and financial markets and could adversely affect the CG's business, results of operations and financial condition.

Risk of Industry Consolidation

CG's business customers may be classified as Yellow Pages Providers, Directory Assistance Providers and Telecommunication Service Providers. Each of these industries is characterized by a relatively small number of large providers. Industry consolidation is ongoing in this group of providers. As a result, CG may have established working relationships with one provider undermined by a business combination with another provider. This could have a material adverse effect on CG's business, results of operations and financial conditions.

The reader is directed to CG's website at www.callgenie.com.