

**Call Genie Inc.
(A Development Stage Enterprise)
Consolidated Financial Statements
For the years ended December 31, 2004
and 2003**

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Auditors' Report

**To the Shareholders of
Call Genie Inc.**

We have audited the consolidated balance sheets of Call Genie Inc. as at December 31, 2004 and 2003, and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

"signed BDO Dunwoody LLP"

Chartered Accountants

Calgary, Alberta
February 2, 2005

Call Genie Inc.
(A Development Stage Enterprise)
Consolidated Balance Sheets

As at December 31	2004	2003
Assets		
Current		
Cash and cash equivalents (Note 2(d))	\$ 1,832,573	\$ 72,869
Accounts receivable	20,009	28,195
Prepaid expenses and deposits	23,334	1,500
	1,875,916	102,564
Equipment (Note 3)	49,033	12,568
Other assets (Note 4)	47,558	8,317
	\$ 1,972,507	\$ 123,449
<hr style="border: 1px solid black;"/>		
Liabilities and Shareholders Equity (Deficiency)		
Current		
Accounts payable and accrued liabilities	\$ 199,114	\$ 178,107
Amounts due to a related party (Note 6)	-	122,140
	199,114	300,247
Convertible debenture (Note 5)	-	290,000
	199,114	590,247
Shareholders' equity (deficiency)		
Equity instruments (Note 8)	4,760,134	967,994
Contributed surplus (Note 13)	398,804	55,593
Deficit	(3,385,545)	(1,490,385)
	1,773,393	(466,798)
	\$ 1,972,507	\$ 123,449

Approved on behalf of the Board:

_____ "SIGNED" Richard W. DeVries, Director

_____ "SIGNED" Ronald D. Johnston, Director

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

Call Genie Inc.
(A Development Stage Enterprise)
Consolidated Statements of Operations and Deficit

For the year ended December 31	2004	2003	Cumulative since inception
Expenses:			
Amortization	\$ 18,628	\$ 2,698	\$ 21,326
Business development	16,348	-	16,348
General and administrative	705,138	581,337	1,810,414
Interest	23,653	5,867	29,520
Sales and marketing	106,543	-	106,543
Stock based compensation	283,224	55,593	338,817
Technology and product development	756,088	279,529	1,077,039
	1,909,622	925,024	3,400,007
Other income:			
Interest income	14,462	-	14,462
Net loss for the year	(1,895,160)	(925,024)	(3,385,545)
Deficit, beginning of the year	(1,490,385)	(565,361)	-
Deficit, end of year	\$ (3,385,545)	\$ (1,490,385)	\$ (3,385,545)
Loss per share*	\$ (0.07)	\$ (0.15)	
Weighted average number of shares	27,028,219	5,977,076	

* No diluted earnings per share have been disclosed, as these would be anti-dilutive.

Call Genie Inc.
(A Development Stage Enterprise)
Consolidated Statements of Cash Flows

For the year ended December 31	2004	2003	Cumulative since inception
Cash flows from operating activities			
Net loss for the year	\$ (1,895,160)	\$ (925,024)	\$ (3,385,545)
Items not involving cash:			
Interest on convertible debenture	23,653	1,271	24,924
Issuance of common shares for services	-	112,500	112,500
Stock based compensation	283,224	55,593	338,817
Amortization	18,628	2,698	21,326
	<u>(1,569,655)</u>	<u>(752,962)</u>	<u>(2,887,978)</u>
Changes in non-cash working capital:			
Accounts receivable	8,186	(27,392)	(20,009)
Advances receivable	157,159	37,000	155,659
Prepaid expenses and advances	(21,834)	-	(21,834)
Accounts payable and accrued liabilities	22,612	117,272	200,719
Amount due to related parties	(122,140)	50,575	300,000
	<u>(1,525,672)</u>	<u>(575,507)</u>	<u>(2,273,443)</u>
Cash flows from financing activities			
Issuance of common shares (net of share issue costs)	54,018	325,203	553,241
Concurrent financing related to RTO (net of issue costs)	1,707,206	-	1,707,206
Advances under convertible debenture	260,000	345,000	605,000
	<u>2,021,224</u>	<u>670,203</u>	<u>2,865,447</u>
Cash flows from investing activities			
Acquisition of GRD, net cash acquired	1,386,900	-	1,386,900
Business combination costs	(28,414)	-	(28,414)
Acquisition of equipment	(48,684)	(14,837)	(63,950)
Acquisition of other assets	(45,650)	(8,317)	(53,967)
	<u>1,264,152</u>	<u>(23,154)</u>	<u>1,240,569</u>
Increase in cash and cash equivalents	1,759,704	71,542	1,832,573
Cash and cash equivalents, beginning of year	72,689	1,327	-
Cash and cash equivalents, end of year	\$ 1,832,573	\$ 72,869	\$ 1,832,573

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

December 31, 2004

1. Nature of Operations and Going Concern

Call Genie Inc. ("the Company") or ("CGI") was incorporated under the laws of Canada on October 17, 2000 and was continued into Alberta on February 5, 2003. On August 17, 2004 the Company amalgamated with GRD Enterprises Inc. ("GRD") with CGI being the surviving entity.

The Company is a development stage enterprise involved in developing enhanced voice directory systems to be used in commercial applications. The Company has not yet determined the ultimate economic viability of the products under development. All costs incurred to date have been recorded as technology and development expense. No revenue has been generated from the sale of its products to date.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. There are several development stages to be completed before the marketability, if any, of the Company's technology can be determined. These stages include the commercial launch of the service, the services ability to meet consumer expectations, the initial and continued use of the service by consumers and merchants subscribing for the service. While the Company has derived no revenue from its technology development projects, its ability to continue operations is uncertain and dependent upon the successful completion of technical and market development of such technology and achieving profitable operations. Additional financing may also be required. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the amounts and liabilities that might be necessary should the Company be unable to continue in business.

2. Significant Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Consolidation

The consolidated financial statements include its subsidiaries Call Genie (Ontario) Inc. since its date of incorporation September 11, 2003 and Call Genie (USA) Inc. since its date of incorporation October 7, 2003. All material intercompany transaction have been eliminated.

(b) Technology and product development costs

Technology and product development costs are expensed in the year incurred unless the Company believes a development project meets generally accepted criteria for deferral and amortization. There have been no development costs capitalized to date.

(c) Equipment

Equipment is recorded at cost, less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful life of the assets.

December 31, 2004

2. Significant Accounting Policies (cont' d)

The following is a summary of estimated useful lives of the assets:

Office furniture and equipment	5 years
Computer hardware	3 years

(d) Cash and cash equivalents

Included in cash and cash equivalents are bank balances and cashable short term investments cashable after 30 days. At December 31, 2004, the Company held cashable guaranteed investment certificates (GIC's) bearing interest rates from 1.65% to 2.25% with maturity terms of August 24, 2005 to December 22, 2005. All of these GIC's are cashable before maturity and have been treated as cash equivalents.

(e) Other assets

The costs of acquiring and applying for patents, trademarks and licensed technology are capitalized and amortized on a straight-line basis over their estimated useful lives of five years. Amortization will be recorded upon commencement of product testing.

The costs of acquiring and applying for patents, trademarks and licensed technology costs do not necessarily reflect present or future values and the ultimate amount recoverable will be dependent upon the successful development and commercialization of products based on these intellectual properties. Management reviews the intellectual properties for impairment whenever events or changes in circumstances indicate that full recoverability is questionable. Management measures any potential impairment by comparing the carrying value to the undiscounted amounts of expected future cash flows.

(f) Future income taxes

Income taxes are accounted for using the liability method of tax allocation. Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the year that includes the enactment date. Future income tax assets are recorded in the consolidated financial statements if realization is considered more likely than not.

(g) Earnings per share

Basic earnings per common share are computed by dividing earnings by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments, in accordance with standards approved by the Canadian Institute of Chartered Accountants.

(h) Financial instruments

The Company carries a number of financial instruments. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

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2. Significant Accounting Policies (cont' d)

(i) Stock based compensation

The Company has a stock-based compensation plan as described in Note 8(c)(ii). The Company accounts for its stock-based compensation programs using the fair value method. Under this method, stock based compensation expense related to these programs is recorded in the statement of earnings and retained earnings with the corresponding amount increasing contributed surplus over the vesting period.

3. Equipment

	December 31, 2004		
	Cost	Accumulated Amortization	Net book value
Computer hardware	\$ 62,506	\$ 14,717	\$ 47,789
Office furniture and equipment	1,442	198	1,244
	\$ 63,948	\$ 14,915	\$ 49,033

	December 31, 2003		
	Cost	Accumulated Amortization	Net book value
Computer hardware	\$ 14,837	\$ 2,612	\$ 12,225
Office furniture and equipment	429	86	343
	\$ 15,266	\$ 2,698	\$ 12,568

4. Other Assets

	December 31, 2004		
	Cost	Accumulated Amortization	Net book value
Trademarks and patents	\$ 53,968	\$ 6,410	\$ 47,558

	December 31, 2003		
	Cost	Accumulated Amortization	Net book value
Trademarks	\$ 8,317	\$ -	\$ 8,317

December 31, 2004

5. Convertible Debenture

In September 2003, the Company authorized a Convertible Debenture (" Debenture") with a principal amount of up to \$1,000,000 of which \$290,000 was advanced to the Company by December 31, 2003 and an additional \$260,000 was advanced during 2004. The Debenture and accrued interest, totalling \$578,247 was converted into 1,927,490 common shares, at \$0.30 per share, as of May 28, 2004. The equity component of this debenture had not been segregated as the value attributable to the equity component was not material.

6. Due to Related Party

Amounts due to a company, related by virtue of common management, were repaid during the year. The amounts were unsecured, non-interest bearing and had no fixed terms of repayment.

7. Related Party Transactions

In addition to the related party transactions described in other notes to the consolidated financial statements, the Company had the following transactions:

- (a) During 2004, the Company was charged \$45,000 (2003- \$24,000) for rent expense in the normal course of operations by a corporation controlled by a shareholder for shared office premises.
 - (b) The Company was advanced \$260,000 (2003 - \$290,000) on a Convertible Debenture from a corporate shareholder (Note 5). Also, during 2004, the Company issued 1,927,490 common shares upon conversion of this debenture at \$0.30 per share (Note 8 (b) (v)).
 - (c) Included in technology and product development, business and channel development, and general and administrative expenses in the normal course of operations are \$461,575 (2003 - \$345,160) of consulting services paid to consultants who are either shareholders or warrant holders of the Company.
 - (d) During 2004, the Company issued Nil (2003 - 375,141) common shares upon the conversion of a debenture at \$0.15 per share (Note 8 (b) (v)). The 2003 debenture holders included a shareholder and a consultant who provides key management services to the Company.
 - (e) During 2004, an officer of the Company purchased 22,000 common shares for \$9,900 through the concurrent financing offer (Note 8 (vi)).
 - (f) During 2004, the Company issued Nil (2003 - 716,667) common shares for \$Nil (2003 - \$115,000) to certain individuals of the Company (Notes 8 (b) (iii) and (vi)). These individuals provide key management services to the Company.
 - (g) Included in accounts payable and accrued liabilities is \$57,674 (2003 - \$19,126) due to various directors, officers and consultants of the Company of which \$57,674 (2003 - \$14,531) is for services rendered and accrued interest of \$Nil (2003 - \$4,595) on the convertible debenture (Note 5).
 - (h) During 2004, the Company issued Nil (2003 - 112,500) common shares for legal services rendered to a legal firm where an officer of the Company is a partner in the amount of \$Nil (2003 - \$112,500).
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December 31, 2004

7. Related Party Transactions (cont'd)

- (i) During 2004, the Company paid interest of \$22,380 (2003 - \$5,867) on the convertible debenture by charging a credit to the debenture amount.

All the related party transactions have been recorded at the agreed upon exchange amounts. The exchange amounts agreed upon reflect the carrying values and approximate fair values of the services rendered.

8. Equity Instruments

- (a) Authorized
 Unlimited common shares without par value
 Unlimited preferred shares without par value, non cumulative, redeemable, and non voting

- (b) Issued and outstanding common shares

	Number of Shares	Amount
Balance, December 31, 2000 and 2001 (i)	4,520,000	\$ 4,520
Issued for debt (ii)	681,692	469,500
Balance, December 31, 2002	5,201,692	474,020
Private placement (iii)	666,667	100,000
Issued for conversion of debenture (iv)	375,141	56,271
Private placement (v)	634,010	190,203
Private placement (vi)	150,000	45,000
Issued for services (Note 11)	112,500	112,500
Share issue costs on private placement	-	(10,000)
Balance, December 31, 2003	7,140,010	\$ 967,994
Shares issued on conversion of debt (vii)	1,927,490	578,247
Subtotal before business combination	9,067,500	1,546,241
Adjustment for business combination RTO (Note 9)	15,641,639	-
Shares issued on acquisition (Note 9)	7,500,000	1,512,656
Shares issued on concurrent financing (viii)	4,444,400	1,999,980
Less amount allocated to warrants	-	(72,406)
Share issue costs on concurrent financing (\$59,987 relates to agents options granted Note 8(c) (i))	-	(352,761)
Shares issued on exercise of options	180,060	54,018
Balance December 31, 2004	36,833,599	\$ 4,687,728

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December 31, 2004

8. Equity Instruments (cont' d)

Issued and outstanding warrants

<u>Warrants</u>	Warrant Exercise Price Range	WA ⁽¹⁾ Remaining Life	Number of Warrants	Amount
Balance, December 31, 2003	\$0.50	years	1,600,000	\$ -
Adjustment for business combination RTO (Note 9)		-	2,760,035	-
Subtotal after business combination RTO	\$0.225	years	4,360,035	-
Warrants issued on concurrent financing (x)	\$0.90	years	2,222,200	72,406
Balance, December 31, 2004	\$0.225 – 0.90	years	6,582,235	\$ 72,406
Total equity instruments				<u>\$ 4,760,134</u>

⁽¹⁾WA – weighted average

- (i) During 2000, the Company issued 4,520,000 common shares to various directors, officers and consultants at a price of \$0.001 each for proceeds of \$4,520.
- (ii) On October 31, 2002, the Company issued 409,015 common shares at a price \$0.73 and 272,677 common shares at a price of \$0.62 for net proceeds of \$469,500 in settlement of the Company's outstanding indebtedness.
- (iii) On June 30, 2003, the Company completed a private placement of 666,667 common shares at a price of \$0.15 each for gross proceeds of \$100,000 and share issuance costs of \$10,000.
- (iv) In April 2003, the Company issued 375,141 common shares at a price of \$0.15 each upon the conversion of a debenture for \$55,000 plus accrued interest of \$1,271.
- (v) On June 30, 2003 and September 30, 2003, the Company completed a private placement of 634,010 common shares at a price of \$0.30 each for proceeds of \$190,203.
- (vi) On December 15, 2003, the Company issued an additional 150,000 shares pursuant to the financing underway in September 2003 at a price of \$0.30 each for net proceeds of \$45,000.
- (vii) On May 28, 2004, the Company issued 1,927,490 shares upon the conversion of the Convertible Debenture in the amount of \$578,247, principal and accrued interest, at \$0.30 per share (Note 5).
- (viii) On August 17, 2004, the Company issued 4,444,400 common shares as a result of an offering of 4,444,400 Units using a short form offering document, at a price of \$0.45 per unit. Each Unit consisted of one common share and one-half of one share purchase warrant (Note 8 (c)(i)).

December 31, 2004

8. Equity Instruments (cont' d)

- (ix) The Company had issued, with an effective date of September 30, 2003, 1,600,000 warrants (4,360,035 post business combination), which were priced at \$0.50 each and the warrant holder is entitled to acquire for each warrant, on or after March 1, 2005 and before March 1, 2010, one common share of the Company. The warrants were issued to officers of the Company and would be cancelled upon voluntary resignation or termination for cause of the officer prior to March 1, 2005. Upon the completion of the business combination, these warrants were repriced to \$0.225 each (pre business combination price \$0.613) and the cancellation clause was removed.

The Company measures compensation costs associated with stock-based compensation using the fair value method and the cost is recognized over the vesting period of the underlying security. As a result of the accelerated vesting as described above, the full value was recognized as at December 31, 2004. The fair value of each warrant was determined at the grant date using the Black-Scholes model assuming a risk-free interest rate of Nil% and an expected volatility rate of 100%.

For the year ended December 31, 2004, \$263,463 (2003 - \$55,593) has been recorded as stock based compensation related to these compensation warrants with the corresponding amount charged to contributed surplus.

- (x) As part of the concurrent financing, equity participants received one common share and a one-half of one share purchase warrant. Each full share purchase warrant, (up to 2,222,200) will entitle the holder to acquire one common share at an exercise price of \$0.90 for a period of 18 months from the closing date.

As at December 31, 2004, \$72,406 of the total proceeds has been attributed to the warrants. The fair value was determined using the Black-Scholes model assuming a risk-free interest rate of Nil% and an expected volatility rate of 55%.

(c) Options

The Company has a stock option plan which may be granted to its directors, officers and employees and consultants. The aggregate number of shares reserved for issuance under the Plan is up to 10% of the number of outstanding common shares.

- (i) The Company has also reserved an additional non-transferable option, to acquire up to 10% of the units placed (up to 444,440 units) in the concurrent financing at a price of \$0.45 per unit, to be granted to the Agent's for services rendered. If exercised, this would result in up to 444,440 shares. The non-transferable option has an expiry date of 18 months from the date of closing. Furthermore, since each unit has one-half a warrant attached to it, the Agent's will also have the option to additionally acquire up to 222,220 shares which may be exercised at the price of \$0.90 per share.

As at December 31, 2004, \$59,987 has been included in the share issue costs, with the corresponding amount charged to contributed surplus for the options issued to the agent above. The fair value was determined using the Black-Scholes model assuming a risk-free interest rate of Nil% and an expected volatility rate of 55%.

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December 31, 2004

8. Equity Instruments (cont' d)

(c) Options (cont'd)

- (ii) The Company has granted 1,150,000 stock options to its employees as at September 1, 2004 at a price of \$0.45 per share, exercisable every six months for a period of three years. The options expire September 1, 2009.

The Company measures compensation costs associated with stock-based compensation using the fair value method and the cost is recognized over the vesting period of the underlying security. The fair value of each option is determined at the grant date using the Black-Scholes model assuming a risk-free interest rate of Nil% and an expected volatility rate of 55%.

As at December 31, 2004, \$19,761 has been recorded as stock based compensation related to the warrants with the corresponding amount charged to contributed surplus.

- (iii) At the time of the business combination with GRD, there were 600,000 GRD options outstanding to directors of GRD. Additionally, there were 583,000 options outstanding for issuance to agents under the GRD IPO. The option plan that was in effect prior to the business combination continues as is, except that the options are now exercisable into Call Genie shares. The exercise price per share is \$0.30.

- (iv) The following table summarizes information about the stock options outstanding at December 31, 2004:

<u>Options</u>	Number of Options	Option Exercise Price Range	WA ⁽¹⁾ Remaining Life	Weighted Average Exercise Price
<i>Employees, directors and officers:</i>				
Balance, December 31, 2002	-	-		-
Options granted to directors on IPO	600,000	\$0.30	5.17 years	\$0.30
Balance, December 31, 2003	600,000	\$0.30	5.17 years	\$0.30
Options granted to employees	1,150,000	\$0.45	3.91 years	\$0.45
	1,750,000	\$0.30 - \$0.45	4.91 years	\$0.40
Less:				
Employee options exercised	(150,000)	\$0.30	-	\$0.30
Employee options expired	(150,000)	\$0.30	-	\$0.30
	1,450,000	\$0.30	4.91 years	\$0.42
<i>Agents:</i>				
Balance, December 31, 2002	-	-		-
Options granted to agents on IPO	583,000	\$0.30	0.68 years	\$0.30
Balance, December 31, 2003	583,000	\$0.30	0.68 years	\$0.30
Options issued to agents on concurrent financing	444,440	\$0.45	1.13 years	\$0.45
Option to acquire share purchase warrants	222,220	\$0.90	1.13 years	\$0.90
	1,249,660	\$0.30 - \$0.90	0.93 years	\$0.46
Less:				
Agents options exercised	(30,060)	\$0.30	-	\$0.30
	1,219,600	\$0.30	0.93 years	\$0.46
Balance, December 31, 2004	2,669,600	\$0.30 - \$0.90	3.09 years	\$0.44

⁽¹⁾WA – weighted average

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December 31, 2004

9. Business Combination

On August 17, 2004, the Company completed the reverse takeover ("RTO") of a public company GRD. Legally, GRD was the parent of CGI. However, as a result of the share exchange, control of the combined companies passed to the former shareholders of CGI. This type of share exchange deems CGI to be the acquirer for accounting purposes. Accordingly, the net assets of CGI are included in the balance sheet at book values and the deemed acquisition of GRD is accounted for by the purchase method with the net assets of GRD recorded at fair value at the date of acquisition.

The cost of an acquisition should be based on the fair value of the consideration given, except where the fair value of the consideration given is not clearly evident. In such case, the fair value of the net assets acquired is used.

The value of the 7,500,000 shares issued on acquisition was based on the fair value of the net assets acquired. (Note 8 (b)). The fair value of the Company's net assets was \$1,512,656, which approximated carrying values as all the assets acquired substantially were cash and short term receivables.

The total purchase price of \$1,512,656 has been allocated as follows:

Cash	\$ 1,386,900
Accounts receivable	157,159
Accounts payable	<u>(2,989)</u>
	1,541,070
Transaction costs	<u>(28,414)</u>
	<u>\$ 1,512,656</u>

10. Income Taxes

The effective tax rate of income tax varies from the statutory rate as follows:

	<u>2004</u>	<u>2003</u>
Combined tax rates	<u>34%</u>	<u>36%</u>
Expected income tax (recovery) at statutory rate	\$ (644,354)	\$ (333,009)
Stock-based compensation	96,296	20,013
Change in rate	(59)	-
Share issue costs	(40,569)	1,063
Other permanent differences	(10,821)	-
Change in valuation allowance	599,507	311,933
Actual income tax provision	<u>\$ -</u>	<u>\$ -</u>

The effective tax rate for the Corporation is approximately 34%. The difference between the effective rate and the actual rate of nil% is attributable to the fact that no future tax asset has been recorded for available loss carry forwards as their ultimate utilization is not more likely than not.

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10. Income Taxes (cont' d)

As at December 31, 2004, the Company has \$3,192,025 of non-capital losses that are available for carry forward to offset future taxable income expire as follows:

	Non-Capital Losses
2006	\$ 199,532
2007	216,958
2008	145,800
2009	917,346
2010	981,055
2014	731,334
	<u>\$ 3,192,025</u>

The Company also has temporary tax differences of \$43,300 relating primarily to capital and other assets, which may be used to offset future taxable income. In addition the Company has unutilized share issue costs of \$428,666. The ability of the Company to utilize the losses and other tax balances carried forward in the future is not reasonably assured and therefore has not been recognized in the consolidated financial statements.

11. Non-Cash Transactions

- (a) During 2004, the Company issued Nil (2003 - 112,500) common shares for legal services rendered in the amount of \$Nil (2003 - \$112,500) (Note 7 (h)).
- (b) During 2004, the Company paid interest of \$22,380 (2003 - \$5,867) on the convertible debenture by charging a credit to the debenture account.
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12. Commitments

Effective August 18, 2004, the Company entered into a sublease agreement for new premises. The terms of the sublease commenced on October 1, 2004 and terminate on January 15, 2006.

The annual lease commitments relating to this facility are as follows:

2005	\$ 45,678
2006	\$ 1,842

13. Contributed Surplus

Balance December 31, 2003 for value assigned for warrants (Note 8 (ix))	\$ 55,593
Value assigned for options (Note 8 (c) (i) and (ii))	79,748
Value assigned for warrants (Note 8 (b) (ix) and (x))	<u>263,463</u>
Balance, December 31, 2004	<u>\$ 398,804</u>

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December 31, 2004

Technology and Product Development Expenses

Breakdown by major category:

For the year ended December 31	2004	2003	Cumulative Since inception
Consulting fees	\$ 461,906	\$ 267,739	\$ 770,076
Salaries and benefits	218,709	-	218,709
Travel expenses	12,557	-	12,557
Training and development	3,401	11,290	14,691
Product development	27,364	-	27,364
Application hosting and telecommunications	19,587	-	19,587
Miscellaneous costs	2,779	500	4,270
Website development	9,785	-	9,785
	<u>\$ 756,088</u>	<u>\$ 279,529</u>	<u>\$ 1,077,039</u>

Sales and Marketing Expenses

Breakdown by major category:

For the year ended December 31	2004	2003	Cumulative Since inception
Consulting fees	\$ 38,118	\$ -	\$ 38,118
Salaries and benefits	45,263	-	45,262
Travel expenses	18,036	-	18,036
Telecommunications	1,004	-	1,004
Miscellaneous	2,234	-	2,234
Office supplies	1,888	-	1,888
	<u>\$ 106,543</u>	<u>\$ -</u>	<u>\$ 106,543</u>

Business Development Expenses

Breakdown by major category:

For the year ended December 31	2004	2003	Cumulative Since inception
Consulting fees	\$ 1,500	\$ -	\$ 1,500
Travel expenses	3,649	-	3,649
Conferences	7,041	-	7,041
Presentation materials	4,158	-	4,158
	<u>\$ 16,348</u>	<u>\$ -</u>	<u>\$ 16,348</u>

Call Genie Inc.
(A Development Stage Enterprise)
Supplementary Information

December 31, 2004

General and Administrative Expenses

Breakdown by major category:

For the year ended December 31	2004	2003	Cumulative since inception
Consulting fees	\$ 376,119	\$ 254,360	\$ 1,051,895
Salaries and benefits	57,735	-	57,735
Consumer and merchant research	37,043	-	37,043
Agency and filing fees	11,905	-	11,905
Recruitment and relocation	-	-	21,400
Software maintenance	2,683	-	2,683
Insurance	4,848	-	4,848
Telecommunications	12,248	-	12,248
Shareholder communication	1,419	-	1,419
Office supplies	9,267	15,032	54,332
Office rent	60,993	24,000	110,432
Professional fees	59,400	238,556	297,956
Travel expenses	53,743	40,334	110,282
Education and training	8,252	-	10,252
Entertainment and promotion	9,483	9,055	25,984
	\$ 705,138	\$ 581,337	\$ 1,810,414