



MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (“MD&A”) for Call Genie Inc. (“CG”, “Call Genie” or the “Company”) should be read in conjunction with CG’s audited consolidated financial statements and the accompanying notes for the fiscal year ended December 31, 2007, filed with the Canadian securities regulatory authorities, which may be accessed at www.sedar.com. CG’s annual financial statements and the accompanying notes have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). All amounts are in Canadian dollars unless otherwise stated. The information in this MD&A is current to March 12, 2008, unless otherwise noted.

The content of this MD&A has been approved by the Company’s Board of Directors, on the recommendation of its Audit Committee.

Further information regarding the Company, and its business and operations, may be obtained from the Company’s continuous disclosure documents filed from time-to-time with the Canadian securities regulatory authorities. These continuous disclosure documents are available through the Company’s website at www.callgenie.com or through the SEDAR website maintained by the Canadian securities regulatory authorities, which can be accessed at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain information set out in this MD&A constitutes forward-looking information. Forward-looking information is 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 MD&A 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 Enhanced Voice Directory (“EVD”) technology that are not dependent upon the number of merchants contracted for subscription fees;
- (iii) the deployment of Yellow Pages Group of Canada (“YPG”) media assets to promote awareness of the Yellowpages411 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 TELUS wholesale traffic;



- (v) the percentage of 411 directory assistance inquiries that may be channeled to a CG EVD supported service (“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) the value of expanded service offerings including bundling with print and Internet, to YPG customers and the competitive advantage associated with the same;
- (ix) the anticipated financial impact in the first 12 months, of arrangements associated with recent Company announcements;
- (x) revenue expectations for the Company for the years ending December 31, 2008 and December 31, 2009;
- (xi) 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 is 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 Yellowpages411 service.

(iii) Forward-looking information respecting the deployment of YPG media assets in support of the Yellowpages411 service (including the placement of information and user tips, together with reoccurring reminder ads, in new releases of Yellow Pages print directories) is 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 the fourth quarter of 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 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.

(ix) 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.

(x) 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 including customers sourced from BTS Logic Europe ApS ("BTS" or "BTS Logic") and PhoneSpots, Inc. ("PhoneSpots"), 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 its products during 2008 and 2009 and the timing of execution and delivery of commercial agreements with those additional customers (including the average timing taken between initial contact and execution of commercial agreements with existing EVD customers and the status of existing negotiations with potential customers), and that the Company will be able to maintain a revenue share model consistent with recently executed contracts in any agreements entered into with new customers.

(xi) Forward-looking information respecting profitability expectations for the Company for the year ending December 31, 2009 is based upon management's estimates of revenues noted above in (x). In addition, profitability expectations are based on estimates of expenses for 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 members are paid, the timing of retention of new staff, the ability to train and provide facilities to staff members, 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 have been taken into consideration in estimating profitability for 2009.

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 statements.



BUSINESS OVERVIEW

Call Genie is a leading provider of mobile local search and advertising solutions. These solutions enable Yellow Pages publishers, directory assistance providers and wireless carriers to increase revenue by offering a localized, mobile search capability that connects consumers directly with merchants.

In reviewing the Company's value proposition in early 2007, customer relationships, product set and market opportunity, the Company determined that a broader product offering would enhance the Company's ability to generate revenues from its existing and new customers in North America, Europe and other parts of the world. As such, in 2007 the Company began looking for additional products and services that would extend and complement the capabilities of its software, until then - used primarily for the product known as EVD (Enhanced Voice Directory), to include a broader business search capability as well as mobile advertising and mobile content delivery capabilities.

Accordingly:

BTS Logic:

On November 9, 2007, the Company acquired BTS Logic located in Denmark. BTS owns next generation directory assistance software that includes business name search and operator workstation software. The BTS solution is used to provide directory assistance callers with relevant merchant data.

PhoneSpots:

On January 2, 2008, the Company acquired PhoneSpots, Inc. located in the United States. PhoneSpots owns valuable mobile content delivery, mobile advertising, and mobile campaign management technology that allows companies to maximize their return by identifying and distributing relevant mobile content information as well as mobile advertisements sourced from third parties. With the addition of these two companies, CG can now provide multiple solutions to enable its customers to generate revenues from the local search market.

Result:

Prior to the acquisition of BTS and PhoneSpots, CG was primarily focused on developing and implementing its EVD product as a way to connect companies with call volume to companies that have monetizable content. The new and improved CG system created by the acquisition of BTS and PhoneSpots provides a greater revenue stream for both the carrier and content provider; while providing consumers with relevant local merchant content.



OUTLOOK

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 to \$38.9 billion globally in 2011 from \$30.6 billion in 2006, representing a 4.9% 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% CAGR). The online segment, which comprises IYP and local search advertising, is expected by the Kelsey Group to grow from \$4.1 billion in 2006 to \$11.1 billion globally in 2011 (22.3% 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 CAGR of 112%. In a new mobile consumer study conducted by The Kelsey Group with research partner ConStat, 9.8% of respondents confirmed that they used their mobile phones to conduct Internet searches for products and services in their local area. During the same period, 10.7% downloaded or looked at maps, while 10.9% indicated they had downloaded search or mapping applications (for use on the Internet) to supplement those that came with their mobile phones.

Readers are cautioned that CG has not independently verified the accuracy of the information provided by the Kelsey Group.

Customer Expansion

The Company’s existing business strategy is based on leveraging its technology with prospective customers world wide. This strategy has been augmented with the recent acquisitions of BTS and PhoneSpots, thereby making CG’s technology more appealing and wide reaching. In addition, with the BTS and PhoneSpots acquisitions, CG now has approximately 30 customers. Further, the BTS and PhoneSpots acquisitions provide product synergies and cross selling opportunities within the combined customer list.

While Business Development activities continue to progress, CG management remains focused on the account management of the existing customer base.

Respecting the existing customer base (as well as added new customers), CG does have a long sales cycle (potentially as much as a year or more) for its customers, in each case dependent on the nature of the business model. The usual preliminary step in the development of a contractual relationship is signing a memorandum of understanding which outlines the activities and responsibilities of the parties in relation to a trial within a limited



geographical area. Trials are then expected to last between six and nine months (depending on the opportunity) before a commercial contract is finalized. Thereafter, realization of revenue streams from commercialized revenue share arrangements may take up to 18 months after a commercial contract is finalized (depending on the customer's ability to sell the service to its merchants and/or consumers); though implementation and transactions fees will usually be realizable immediately following the commercial launch.

In the last three months, the Company entered into new contractual arrangements with AT&T Corp. and Idearc Inc. in respect to the EVD product. 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 two to three year term. 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 12 months.

The Company's current business plan contemplates that CG will continue to focus on the acquisition of new customers in North America, Europe and other parts of the world for the implementation of its complete product offering. Overall, CG management believes that the Company is now well positioned, from a business development perspective, to take advantage of the international market opportunities. CG re-affirms estimates of 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. At the request of shareholders, CG provided forward looking estimates of revenue and profitability on an overall basis. This is primarily due to the nature of the commercial arrangements with its current customers. Readers should be cautioned against using these statements for any other purposes.

Canadian Market - Yellowpages411

The EVD product (marketed as 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. During the fourth quarter of 2007, the EVD supported 411 directory assistance service offered by TELUS was available for landline calls in Alberta and British Columbia. CG management expects that the rollout of the EVD-supported 411 service to the TELUS wireless network and the TELUS wholesale traffic to occur during the second quarter of 2008. Introduction of this integrated landline service has resulted in increased caller volume to the Yellowpages411 service. Initial results indicate that approximately 3.0% - 4.0% 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 upon 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 up to 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 YellowPages411 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 February 29, 2008, approximately 268,000 information searches were conducted utilizing the YellowPages411 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 CG 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 YellowPages411 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, CG 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.

ANNUAL RESULTS OF OPERATIONS

Selected Statements of Operations Data for Fiscal 2005 to 2007:

	Fiscal Year Ended December 31		
	2007	2006	2005
Revenue	\$ 1,811,176	\$ 698,246	\$ 190,378
Net Loss	\$ (12,636,466)	\$ (6,451,062)	\$ (2,148,166)
Net Loss per Share	\$ (0.18)	\$ (0.13)	\$ (0.05)



Overall

The Company's loss for the year ended December 31, 2007 was \$12.6 million or \$0.18 per share, up 96% from the prior year loss of \$6.5 million, or \$0.13 per share. The increased loss for the year was primarily the result of increased investment in all areas of the Company's business. Sales and marketing costs increased \$1.9 million, technology and product development costs increased \$2.0 million, and general and administrative costs increased \$2.2 million.

Revenues

Revenues for the year ended December 31, 2007 increased to \$1,811,176 from \$698,246 in the year ended December 31, 2006, which is a 159% year over year increase. The increase is primarily due to revenues generated from the Company's relationship with YPG and, to a lesser degree, the revenues earned as a result of the BTS acquisition. The Company earned revenue from multiple sources including consulting and implementation fees, merchant subscription fees, transactional processing fees, hosting fees as well as maintenance and support revenues.

In conjunction with the annual financial statements, the Company reviewed its revenue arrangements and determined that, in substance, certain arrangements are hosted solutions wherein all implementation fees should be deferred and recognized ratably over the term of the contract commencing upon completed delivery of the implementation and integration services. Management estimates that over and above the recognized revenue of \$1,811,176, approximately \$238,000 or 56% of the total deferred revenue recorded at December 31, 2007 relates to completed or partially completed implementation work as of the end 2007 which will be recognized over the next 3-5 years.

Cost of Sales

The cost of sales for the year ended December 31, 2007 increased to \$1,293,332 from \$369,428 in the year ended December 31, 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 Service. 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 year ended December 31, 2007 increased to \$13,993,492 from \$7,049,214 for the year ended December 31, 2006. The increase in expense is primarily due to the increase in staff resources in all operational areas of the business. As at December 31, 2007, the Company had 110 full time equivalent staff compared to 47 at December 31, 2006.

Sales and Marketing

Sales and marketing costs for the year ended December 31, 2007 were \$4,329,694 compared to \$2,390,007 for the year ended December 31, 2006. The 81% increase of \$1,939,687 is primarily attributable to the number of individuals engaged either directly or on contract to undertake business development, account management or marketing activities. At December 31, 2007, the Company engaged 20 individuals (17 in sales and 3 in marketing) compared to 10 individuals at December 31, 2006 all in sales. Salaries, commissions and benefits for these individuals represent an increase of approximately \$1,559,000. Required travel for these personnel caused travel expenses to increase by approximately \$297,000 compared to the same period last year. Conference fees also increased by approximately \$170,000 compared to the same period last year.

Technology and Product Development

Technology and product development costs of \$4,000,337 increased by \$2,014,929 for the year ended December 31, 2007, compared to the same period of 2006. The 101% increase was primarily due to increased personnel engaged in further developing the product software and processes and in supporting the product launch. Staffing cost increased by approximately \$1,994,000 over the year ended December 31, 2006. At December 31, 2007, the Company had 42 staff (2006 – 14) 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.

General and Administration

General and administration costs for the year ended December 31, 2007 were \$3,909,468 compared to \$1,734,945 for the same period in 2006. The 125% increase of \$2,174,523. was consistent with the infrastructure costs required to execute on the Company's business plan. The increase was primary due to 1) increased office rent, telephone charges and supplies of approximately \$818,000 required to support the increased employee base, 2) increased salaries and benefits of approximately \$550,000, 3) increased professional fees, agency fees



and shareholder communication costs related to the operation of a public company of approximately \$260,000 and 4) increased recruiting fees of approximately \$388,000.

Stock Based Compensation

Stock based compensation expense for the year ended December 31, 2007 was \$1,261,835, an increase of \$502,361 from \$759,474 for the year ended December 31, 2006. The associated costs, calculated using the Black-Scholes method, recognize the costs over the three year graded vesting period of the applicable options. This 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. During the year, the Company issued 3,470,000 stock options (1,332,500 in 2006).

Interest Income

Interest income for the year ended December 31, 2007 was \$839,182, compared to \$269,334 for 2006. The increase was as a result of having increased cash balances resulting from the closing of the private placement of common shares completed in the second quarter of 2007.

Net Loss

As a result of the foregoing, CG's net loss for the year ended December 31, 2007 was \$12,636,466 which was \$6,185,404 higher than the net loss for 2006.



SUMMARY OF QUARTERLY RESULTS

The following table provides an analysis of the Company's unaudited operating results for each of the quarters ended on the date indicated.

	For the Quarters Ended							
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
Revenue	\$ 115,046	\$ 144,188	\$ 177,841	\$ 261,171	\$ 293,363	\$ 353,356	\$ 406,628 ¹	\$ 757,829
Cost of sales	39,099	24,684	141,593	164,052	196,145	298,787	344,790	453,611
Gross margin	75,947	119,504	36,248	97,119	97,218	54,569	61,838	304,218
Expenses								
Sales and marketing	398,287	560,080	635,402	796,238	858,341	991,565	1,164,159	1,315,629
Technology and product development	352,368	494,848	519,896	618,296	699,600	727,634	1,025,225	1,547,878
General and administrative	411,799	374,428	418,941	529,777	681,502	808,403	1,155,668	1,263,895
Stock based compensation	83,720	111,986	147,077	416,691	191,611	486,973	96,424	486,827
Amortization	27,758	33,582	53,583	64,457	70,883	119,273	147,835	154,167
	1,273,932	1,574,924	1,774,899	2,425,459	2,501,937	3,133,848	3,589,311	4,768,396
Loss from operations	(1,197,985)	(1,455,420)	(1,738,651)	(2,328,340)	(2,404,719)	(3,079,279)	(3,527,473)	(4,464,178)
Other income								
Interest income	27,045	87,409	85,870	69,010	51,283	205,994	320,649	261,257
Net loss for the period	(1,170,940)	(1,368,011)	(1,652,781)	(2,259,330)	(2,353,436)	(2,873,285)	(3,206,824)	(4,202,921)
Basic and diluted loss per share	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.05)	\$ (0.04)	\$ (0.04)	\$ (0.04)	\$ (0.06)

Overall

The Company's loss for the three months ended December 31, 2007 was \$4,202,921 or \$0.06 per share, up 86% compared to a loss of \$2,259,330, or \$0.05 per share for the same period last year. The increased loss for the period was primarily the result of increased investment in all areas of the Company's business. Sales and marketing costs increased \$519,391 primarily

¹ Revenues for the third quarter of 2007 are approximately \$103,000 less than previously reported and the net loss for the third quarter is approximately \$103,000 greater than previously reported due to deferral of implementation fees previously recognized.



due to increased personnel. Technology and product development costs increased \$929,582 primarily due to increased personnel. General administrative costs increased \$734,118 primarily due to increased office rent from expanded facilities and the commensurate increase in office overheads, telephone charges and insurance. In addition, the Company incurred increased fees in connection with the graduation of its common share's listing to the Toronto Stock Exchange.

Revenues

Revenues for the three months ended December 31, 2007 increased 190% to \$757,829 from \$261,171 in the three months ended December 31, 2006. The increase in revenue is attributable to the amendment of the agreement with YPG in addition to revenues sourced from customers acquired from BTS.

The Company's 2007 fourth quarter revenues increased by \$351,201 or 86% compared to the previous third quarter. The increase is primarily due to revenues sourced from customers acquired from BTS. During the fourth quarter, the Company determined that certain implementation fees for deployment of its EVD technology should be deferred over the term of the hosted arrangement. As a result, revenues in the third and fourth quarters are \$103,000 and \$149,000 less than what would have been reported, respectively, had the implementation fees not been recorded as deferred revenues.

FINANCIAL CONDITION

Selected data on financial position as at December 31	2007	2006	2005
Cash and cash equivalents	\$ 21,422,717	\$ 5,930,024	\$ 2,486,540
Net working capital	\$ 21,432,584	\$ 5,869,270	\$ 2,341,328
Total assets	\$ 26,945,360	\$ 6,961,759	\$ 2,831,806
Total long-term liabilities	\$ 496,580	\$ -	\$ -
Total liabilities	\$ 2,209,391	\$ 578,757	\$ 321,337
Shareholders' equity	\$ 24,735,969	\$ 6,383,002	\$ 2,510,469

Outstanding Share Capital

CG's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized and 77,714,474 common shares were outstanding at December 31, 2007, compared to 53,217,074 common shares at December 31, 2006. During the year ended December 31, 2007, 22,882,448 common shares were added due to various private placements for total gross proceeds of \$30,000,000. During the year ended December 31, 2007, 1,614,952 options and warrants were exercised, for aggregate proceeds of



\$1,083,156. Further information on CG's outstanding share capital is provided in Note 9 to the Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Assets

CG's total asset base as at December 31, 2007 was \$26.9 million, up \$19.9 million from December 31, 2006. Cash and cash equivalents increased \$15.5 million to \$21.4 million on December 31, 2007. Accounts receivable increased approximately \$1.0 million mainly due to increased receivables from 13 customers including YPG, AT&T and BTS's customers. In addition, accrued interest increased as a result of higher interest rates from cashable guaranteed investment certificates applied to the higher cash balances.

Working Capital

At December 31, 2007, the Company had positive working capital including cash and cash equivalents of \$21.4 million, up \$15.5 million from December 31, 2006. The 2007 financing activities noted above added approximately \$29.6 million to working capital. However, the Company continues to generate operating losses as it executes on its business plans. See the information set out under the heading "Business Risks and Uncertainties" below.

Cash and Cash Equivalents

At December 31, 2007, the Company's cash and cash equivalents amounted to approximately \$21.4 million compared with \$5.9 million at December 31, 2006. The increase was due to \$29.6 million of net cash proceeds raised mainly from private placements completed during the second quarter of 2007 as well as stock options exercised during the year. The increase was offset by the \$11.3 million of cash used for operations and \$2.9 million used in investing activities, including the purchase of capital assets (\$0.9 million), the acquisition of BTS located in Denmark (\$1.3 million) and cash held for the pending acquisition of PhoneSpots Inc. located in the United States (\$0.7 million).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

The Company enters into arrangements of three broad categories: (i) recurring multi-year service oriented hosting arrangements, (ii) software license arrangements which include provision of software licenses, implementation services and post-contract support ("PCS"), and (iii) services. Revenue from these arrangements is recognized when earned, specifically when all the following conditions are met: software licenses are delivered and/or services are provided, there is clear evidence that an arrangement exists, amounts are fixed or determinable and collectability is reasonably assured.



Hosted Arrangements

The Company enters into hosting arrangements whereby the underlying software is maintained and operating in Company data center facilities. The Company earns transaction automation fees, data management fees, system maintenance fees, hosting fees and in some cases customer revenue participation fees from the service provided to the customer. Revenues for the fixed portion of these fees are recognized ratably over the contract period, revenues for the variable portion of these fees are recognized as earned. In addition, the Company may charge for implementation or set up fees in connection with the service provided. These fees are recognized ratably over the term of the contract, commencing upon completed delivery of the implementation and integration services.

Software License Arrangements

The Company also offers complete solutions integrated into the customers' data centers. These solutions may involve the delivery of multiple services and products occurring at different points in time and/or over different periods of time. Revenue recognition for these arrangements is determined based on evaluation of the individual elements of the arrangements. If vendor-specific objective evidence of fair value ("VSOE") of all the undelivered elements exists and the undelivered elements are not essential to the functionality of the delivered elements, separate units of accounting are identified, the total arrangement consideration is allocated to the individual units of accounting following the residual method and revenue for the individual elements is recognized as appropriate. If VSOE of all undelivered elements does not exist, the entire arrangement is treated as one unit of accounting and revenue is deferred and recognized ratably over the remaining term of the contract, commencing when all elements except for PCS are delivered. To date, the Company has not been able to identify VSOE and allocate revenue between delivered and undelivered elements.

Services

The Company also enters into annual standalone renewals of PCS after the initial contract has been completed. The Company recognizes these PCS revenues ratably over the PCS period. In addition, the Company provides standalone consulting services, training and minor system enhancements as requested from time to time by its customers. These service revenues are recorded as the services are provided.

Asset Impairment

Capital assets and deferred costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of the asset exceeds the estimated undiscounted cash flows from the use of the asset, then an impairment loss is recognized to write the asset down to fair value.



Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of sales and expenses during the reporting periods. Actual results could differ from these estimates in the future. The most significant estimates relate to the valuation of property, plant and equipment, intangibles, goodwill, deferred costs, and future income tax liabilities.

Stock-Based Compensation

The Company records compensation expense for stock options granted to directors, officers, employees and agents of the Company and its affiliates. 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. Any consideration paid on exercise of stock options is credited to equity instruments.

Adoption of Recent Canadian Accounting Pronouncements in 2007

Effective on January 1, 2007, the Company adopted the recommendations of CICA Handbook Section 1530, *Comprehensive Income* ("Section 1530"); Section 1651, *Foreign Currency Translation* ("Section 1651"); Section 3855, *Financial Instruments – Recognition and Measurement* ("Section 3855"); Section 3861, *Financial Instruments – Disclosure and Presentation* ("Section 3861"), Section 3865, *Hedges* ("Section 3865") and Section 3251, *Equity* ("Section 3251"). These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and nonfinancial derivatives.

Section 1530 Comprehensive Income

This Section describes the reporting and disclosure standards with respect to comprehensive income and its components. Comprehensive income (loss) is composed of net loss and other comprehensive income (loss). The Company's other comprehensive income (loss) includes unrealized gains and losses on translation of self-sustaining foreign operations. The components of comprehensive income (loss) are disclosed in the consolidated statements of comprehensive income (loss).



Section 1651 Foreign Currency Translation

This Section provides guidance on the translation of transactions of a reporting enterprise that is denominated in a foreign currency, as well as the translation of financial statements of a foreign operation for inclusion in the consolidated financial statements of a reporting enterprise.

Section 3855 Financial Instruments – Recognition and Measurement

This Section sets out the standards for the recognition and measurement of financial assets and financial liabilities. Depending on their balance sheet classification, fair value or cost-based measures are used. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses on financial instruments are recognized in either net income or other comprehensive income.

As a result of the adoption of these standards, the Company has made the following classifications. Cash and cash equivalents and restricted cash are classified as “held for trading” and are measured at fair value. Accounts receivable are classified as “loans and receivables” and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities are classified as “other financial liabilities” and are initially measured at their fair values. Subsequent measurements are recorded at amortized cost using the effective interest rate method. All transaction costs for these classes of financial assets and liabilities are recognized immediately in net income.

Section 3865 Hedges

This Section sets out the standards on the use of hedge accounting. This standard offers different reporting requirements than those set out in Section 3855 Financial Instruments – Recognition and Measurement to qualifying transactions designated as hedges for accounting purposes.

The Company does not have any hedging instruments. Accordingly, the adoption of this Section has had no effect on the consolidated financial statements.

The adoption of these Sections is done retroactively without restatement of the consolidated financial statements of prior periods.

The effect of these changes in accounting policies on net loss for fiscal 2007 is not significant.



Other Recent Canadian Accounting Pronouncements Not Yet Adopted

The Canadian Institute of Chartered Accountants (“CICA”) has issued new accounting standards, Section 1535 *Capital Disclosures* (“Section 1535”), Section 3862 *Financial Instruments – Disclosures* (“Section 3862”) and Section 3863, *Financial Instruments – Presentation* (“Section 3863”), which are applicable to the Company’s 2008 fiscal year. The Company is in the process of evaluating the disclosure and presentation requirement of the new standards.

Section 1535 establishes disclosure requirements about a Company’s capital and how it is managed. The purpose will be to enable users of the financial statements to evaluate the Company’s objectives, policies and processes for managing capital.

Sections 3862 and 3863 will replace Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections will place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks.

The CICA issued the new accounting standard Section 3064, *Goodwill and Intangible Assets* which will replace Section 3062, *Goodwill and Other Intangible Assets*. This new standard will be effective for fiscal years beginning on or after October 1, 2008 and the Company will adopt it on January 1, 2009. The Company is in the process of evaluating the disclosure and presentation requirement of the new standards.

International Financial Reporting Standards

The CICA Accounting Standards Board (“AcSB”) plans to converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards (“IFRS”) over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company has not yet determined the impact of the transition to and adoption of IFRS on its financial statements.



RELATED PARTY TRANSACTIONS

The Company had the following related party transactions during fiscal 2007:

(a) Included in technology and product development, business development, and general and administrative expenses in the normal course of operations are \$567,678 (2006 - \$254,690) of consulting services paid directly to officers of the Company or to companies controlled by officers of the Company.

(b) Included in accounts payable and accrued liabilities is \$78,838 (2006 - \$64,465) due to various directors, officers and consultants of the Company all of which is for services rendered and reimbursement of expenses.

All the related party transactions have been recorded at the agreed upon exchange amounts.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any “off-balance sheet” arrangements as of December 31, 2007.

CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52-109 – *Certification of Disclosure in Issuer’s Annual and Interim filings* issued by the Canadian Securities and Administrators, the Company’s Chief Executive Officer and Chief Financial Officer have made certain certifications related to the Company’s annual filings (as defined by Multilateral Instrument 52-109) with provincial securities regulators.

Evaluation of Disclosure Controls and Procedures

As part of the Form 52-109, the Chief Executive Officer and the Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to provide reasonable assurance that material information with respect to the Company, including its consolidated subsidiaries, is made known to them and that they have evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by these annual filings. Disclosure controls and procedures ensure that information required by the company in the reports that it files or submits to the provincial securities



regulators is recorded, processed, summarized and reported, within the time periods required. The Company has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109), have concluded that, as of December 31, 2007, the Company's disclosure controls and procedures are effective.

Management's Annual Report on Internal Control over Financial Reporting

As part of the Form 52-109, the Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

The Chief Executive Officer and the Chief Financial Officer have concluded that, as of December 31, 2007, the Company has designed such internal control over financial reporting (as defined in Multilateral Instrument 52-109) to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company is satisfied with the design effectiveness of its internal controls over financial reporting. However, during the process, the Company identified certain weaknesses as follows:

1. Segregation of Duties

Due to limited resources, adequate segregation of duties within the Company's accounting group was not achieved. This creates a risk that inaccurate journal entries could be made and not corrected on a timely basis. The result is that the Company is highly reliant on the performance of mitigating procedures during its financial close processes in order to provide comfort that the financial statements are presented fairly in accordance with GAAP.

Management reviews the assignment of responsibilities on an ongoing basis and expects to continue to monitor the existing mitigating controls and implement changes where appropriate and feasible.

2. Adequate accounting staff

Due to limited resources and number of staff, the Company does not have the optimum complement of personnel with all of the technical accounting knowledge to address all



complex and non-routine transactions and projects that may arise, including two key areas, revenue recognition and accounting for acquisitions.

Additional procedures have been performed by the Company in order to provide comfort that the revenue recognition and acquisition transactions recorded in the consolidated financial statements have been presented in accordance with GAAP.

3. Business Combinations

The Company has determined that it did not sufficiently design optimum controls over the acquisition processes associated with its acquisition of BTS and PhoneSpots. Specifically, the Company does not have an overriding policy framework that would apply to all potential acquisitions to provide comfort that all material accounting and other issues are addressed.

The Company intends to direct additional resources to improving the identified deficiencies and overall control environment and governance processes within the company.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during fiscal 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of internal controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

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 of the costs associated with further development of CG's technology and business, and the fact that 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, to acquire complementary technologies and to build administrative support systems. CG has incurred negative operational cash flow to date. CG incurred losses from operations of \$12,636,466 for the year ended December 31, 2007, \$6,451,062 for the year ended December 31, 2006, and \$2,148,166 for the year ended December 31, 2005; 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 at which it secures additional customers, the time and expense required for the roll-out of its products, 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 continues to evolve. 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 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. From 2003 to the end of 2006, CG had yet to fully commercialize and achieve proof of concept for any services on a national basis. At the end of 2006 CG had 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 seeks 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 entered into predominantly long-term contracts with 30 customers including BTS and PhoneSpots customers. 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. Any disruption of the relationship with these customers (through termination of the contract or otherwise) or any interruption of the business 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 CG. 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. The inability of CG to secure additional customers due to competitive technologies would have a material adverse effect on CG's business, results of operations and financial condition.

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 or acquire new technologies and offer new services. Many factors may limit CG's ability to develop and refine the technology or to create or acquire 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 or acquire 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 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 including in key markets. 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 and is 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.