



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 unaudited consolidated financial statements and the accompanying notes for the period ended June 30, 2008 which have been filed with certain securities regulatory authorities in Canada and may be accessed at www.sedar.com. CG’s interim 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 August 5, 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 certain securities regulatory authorities in Canada. 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) the time frames associated with trials of the Company’s products, timing of sales cycles and anticipated commencement of revenues after a commercial contract is executed;
- (ii) the percentage of 411 directory assistance inquiries that may be channeled to an Interactive Voice (“IV”) supported service (“IV Service”);
- (iii) sources of revenue from the deployment of the IV technology that are not dependent upon the number of merchants contracted for subscription fees;
- (iv) revenue expectations for the Company for the years ending December 31, 2008 and December 31, 2009; and
- (v) profitability expectation for the Company for the year ending 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 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 MD&A should not be considered or interpreted as guarantees of future outcomes or results.**

(i) Forward-looking information relating to sales cycles for the IV Service, the length of time required to complete trials of the IV Service and the length of time after a commercial contract concludes until revenues are generated are based upon the Company's historical experiences with Yellow Pages Group Co. ("YPG"), historical experiences other organizations that have conducted trials of the IV Service, experiences with other 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.

(ii) Forward-looking information respecting estimates of the percentage of 411 directory assistance calls that may be channeled to the IV 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 IV-supported TELUS landline 411 directory assistance service who have opted to undertake an IV-supported business category search since the integration of the IV technology with the TELUS 411 directory assistance service in the fourth quarter of 2007.

(iii) Forward-looking information respecting expected sources of revenue from the commercial deployment of the IV Service that are not dependent upon the number of merchants contracted for subscription fees is based upon experiences to date with the Yellowpages411 service (as hereinafter defined), 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.

(iv) 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 IV 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.

(v) 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 (iv). 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 provider of mobile local search and advertising solutions. Our mission is to connect ready to transact people with relevant local businesses. We seek to provide technology, services and solutions that utilize advanced wireless networks as well as the mobile web internet to enable a mobile ecosystem that encompasses advertisers, advertising publications (e.g. internet yellow pages) and mobile users. To advertisers and advertising publications, we provide a range of tools and marketing solutions designed to enable them to reach users through mobile devices and the mobile web using both voice commands as well as data services. This information or advertising, is presented to users in voice and or data format and may be sent to advanced mobile devices such as the new Apple iPhone.

Call Genie offers its mobile local search and advertising solutions to users through a network of companies that have direct consumer and advertising relationships. The companies with consumer relationships can be wireless carriers, directory assistance providers or other companies that have significant wireless or wireline customer bases. The companies that have advertising relationships can be search engine companies, Yellow Pages publishers or media companies that have developed significant advertising publications in traditional or online media.

Many of our products and services are offered by our customers as a 'for fee' service or as a 'for free' advertiser supported service. We generate revenue from our customers in multiple ways including: revenue share, transaction fees, license fees, and hosting fees as well as related installation, maintenance, and professional service fees.

Our products and services are available internationally in more than 11 countries in North America, Europe and other parts of the world. The principal countries in which we operate our business are the United States, Canada and various European jurisdictions.

SELECTED QUARTERLY INFORMATION

	3 months ended June 30, 2008	3 months ended June 30, 2007
Revenue	\$ 1,402,321	\$ 353,356
Net loss for the period	\$ (5,349,857)	\$ (2,873,285)
Earnings per share – fully diluted	\$ (0.07)	\$ (0.04)
Number of Common shares outstanding		
- Basic	82,133,599	76,852,146
- Fully diluted	96,340,005	87,410,532



RESULTS OF OPERATIONS

Overall

The Company's loss for the three months ended June 30, 2008 was \$5.35 million or \$0.07 per share, up 86% from the loss of \$2.87 million or \$0.04 per share from same quarter in the prior 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 \$0.52 million, research and development costs increased \$1.04 million, and general and administrative costs increased \$0.96 million.

Revenues

Revenues for the three months ended June 30, 2008 increased to \$1,402,321 from \$353,356 for the three months June 30, 2007, which is a 297% period over period increase. Revenues for the six months ended June 30, 2008 increased to \$2,415,622 from \$646,719 in the six months ended June 30, 2007, which is a 274% period over period increase. The increase is primarily due to revenues generated from customers acquired as the result of the BTS Logic Europe Aps ("BTS") and PhoneSpots, Inc. ("PhoneSpots") acquisitions and, to a lesser degree, revenues earned from the Company's relationship with YPG. The Company earned revenue from multiple sources including software licenses, implementation and consulting fees, merchant subscription fees, transactional processing fees, hosting fees as well as maintenance and support revenues.

The Company has 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 \$1,402,321, approximately \$163,889 or 28% of the total deferred revenue recorded at June 30, 2008 relates to payments received for implementation work completed during the quarter which will be recognized over the next 3-5 years.

Cost of Sales

Cost of sales for the three months ended June 30, 2008 increased to \$921,093 from \$298,787 in the three months ended June 30, 2007. The cost of sales for the six month period ended June 30, 2008 increased to \$1,765,075 from \$494,931 in the six months ended June 30, 2007. The increase was due to the staff resources required to support customer specific activities related to market trials and implementation of the Company's multiple product lines. Increases also resulted from increased direct costs incurred in the operation of its hosted services, including telephony costs, hosting, network, voice recordings and other third party charges.



Expenses

Expenses for the three months ended June 30, 2008 increased to \$5,940,344 from \$3,133,848 for the three months ended June 30, 2007. The expenses for the six months ended June 30, 2008 increased to \$11,246,798 from \$5,635,786 for the six months ended June 30, 2007. The increase in expense is primarily due to the increase in staff resources in all operational areas of the business. As at June 30, 2008, the Company had 135 full time equivalent staff compared to 72 at June 30, 2007.

Sales and Marketing

Sales and marketing costs for the three months ended June 30, 2008 were \$1,509,552 compared to \$991,565 for the three months ended June 30, 2007. The costs for the six months ended June 30, 2008 were \$2,945,638 compared to \$1,849,907 for the six months ended June 30, 2007. The 52% increase of \$517,987 for the three months ending June 30, 2008 is primarily attributable to the number of staff engaged, either directly or on contract, to undertake business development, account management or marketing activities. At June 30, 2008, the Company engaged 27 staff (23 in sales and 4 in marketing) compared to 19 staff at June 30, 2007. Salaries, commissions and benefits for these individuals represented an increase of approximately \$442,000. Required travel for Company personnel caused travel expenses to increase by approximately \$63,000 compared to the same period last year. Additionally, advertising and promotional expenses increased by \$20,000 compared to the same period last year.

Research and Development

Research and development costs of \$1,763,046 increased by \$1,035,412 for the three months ended June 30, 2008, compared to the same period in 2007. The costs for the six months ended June 30, 2008 were \$3,494,191 compared to \$1,427,235 for the six months ended June 30, 2007. The 142% increase was primarily due to increased staff engaged in further developing product software and processes. Staffing cost increased by approximately \$918,000 over the three months ended June 30, 2007. At June 30, 2008, the Company had 46 staff, compared to 16 staff at June 30, 2007, tasked to carry out further development of product software and processes in support of new product launches and continued enhancement of existing products. The acquisition of BTS and PhoneSpots resulted in 12 additional software development staff.

General and Administration

General and administration costs for the three months ended June 30, 2008 were \$1,769,263 compared to \$808,403 for the same period in 2007. The costs for the six months ended June 30, 2008 were \$3,166,135 compared to \$1,489,905 for the six months ended June 30, 2007. The 119% increase of \$960,860 was consistent with the infrastructure costs required to



execute the Company's business plan and the acquisition of BTS and PhoneSpots. Primarily, the increase was more specifically due to: 1) increased office rent, telephone charges and supplies of approximately \$178,000 required to support the increased employee base; 2) increased salaries and benefits of approximately \$265,000; 3) increased acquisition transition management services of approximately \$129,000; and 4) increased professional fees, agency fees and shareholder communication costs related to the operation of a public company of approximately \$269,000.

Stock Based Compensation

Stock based compensation expense for the three months ended June 30, 2008 was \$496,890, an increase of \$9,917 from \$486,973 for the three months ended June 30, 2007. Stock based compensation expense for the six months ended June 30, 2008 was \$873,540 an increase of \$194,956 from \$678,584 for the six month period ended June 30, 2007. The associated costs, calculated using the Black-Scholes method, recognize the costs over the three year vesting period of the applicable options. The modest increase was due to the number and timing of options granted under the Company's stock option plan.

Interest Income

Interest income for the three months ended June 30, 2008 was \$109,259, compared to \$205,994 for same period in 2007. The interest income for the six months ended June 30, 2008 was \$288,462, compared to \$252,277 for the same period in 2007. The decrease is consistent with the decreased quarterly average cash held in interest bearing GICs.

Net Loss

As a result of the foregoing, CG's net loss for the three months ended June 30, 2008 was \$5,349,857 which was \$2,476,572 higher than the net loss for the same period in 2007. The net loss for the six month period ended June 30, 2008 was \$10,307,789 which was \$5,226,721 higher than the net loss for the same period in 2007.



SUMMARY OF QUARTERLY RESULTS

For the Quarters Ended								
in thousands	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
Revenue	\$ 178	\$ 261	\$ 293	\$ 353	\$ 407	\$ 758	\$ 1,013	\$ 1,402
Cost of sales	142	164	196	298	345	454	844	921
Gross margin	36	97	97	55	62	304	169	481
Expenses								
Sales and marketing	635	796	858	992	1,164	1,316	1,436	1,510
Research and development	520	618	699	728	1,025	1,548	1,731	1,763
General and administrative	419	530	682	808	1,156	1,264	1,397	1,769
Stock based compensation	147	417	192	487	97	486	376	497
Amortization	54	64	71	119	148	154	366	402
	1,775	2,425	2,502	3,134	3,590	4,768	5,306	5,940
Loss from operations	(1,739)	(2,328)	(2,405)	(3,079)	(3,528)	(4,464)	(5,137)	(5,459)
Other income								
Interest income	86	69	51	206	321	261	179	109
Net loss for the period	(1,653)	(2,259)	(2,354)	(2,873)	(3,207)	(4,203)	(4,958)	(5,350)
Basic and diluted loss per share	\$ (0.03)	\$ (0.05)	\$ (0.04)	\$ (0.04)	\$ (0.04)	\$ (0.06)	\$ (0.06)	\$ (0.07)

FINANCIAL CONDITION

Selected data on financial position	June 30, 2008	December 31, 2007	June 30, 2007
Cash and cash equivalents	\$ 11,782,340	\$ 21,422,717	\$ 29,794,673
Net working capital	\$ 11,443,747	\$ 21,432,584	\$ 29,866,110
Total assets	\$ 22,941,466	\$ 26,945,360	\$ 31,523,253
Total long-term liabilities	\$ 680,278	\$ 496,580	\$ -
Total liabilities	\$ 3,000,173	\$ 2,209,391	\$ 715,023
Shareholders' equity	\$ 19,941,293	\$ 24,735,969	\$ 30,808,230



LIQUIDITY AND CAPITAL RESOURCES

Assets

CG's total asset base as at June 30, 2008 was \$22.9 million, down from \$26.9 million at December 31, 2007. The decrease was principally the result of the continuing operating losses incurred as the Company executes its business plan. See "Business Risks and Uncertainties" below.

The reduction in cash and cash equivalents was offset with the purchase of goodwill and intangibles related to the acquisition of PhoneSpots. Purchased goodwill and intangibles increased by \$5.59 million while cash and cash equivalents decreased \$9.6 million to \$11.8 million as at June 30, 2008.

Working Capital

At June 30, 2008, the Company had positive working capital including cash and cash equivalents of \$11.4 million, down \$9.9 million from December 31, 2007. The decrease in working capital is primarily due to the decreased cash of \$9.6 million and to a lesser degree increases in accrued liabilities and deferred revenue.

Cash and Cash Equivalents

At June 30, 2008, the Company's cash and cash equivalents amounted to approximately \$11.8 million compared with \$21.4 million at December 31, 2007. The \$9.6 million decrease was due to the \$8.7 million of cash used to fund operations, \$0.07 million used to repurchase common shares and \$0.9 million used to fund investing activities. The purchase of capital assets (\$0.9 million) relates primarily to the Company's investment in a data centre located in the United States, which is required to support hosting services.

OUTSTANDING SHARE DATA

CG's outstanding share capital is comprised of common shares. An unlimited number of common shares are authorized for issuance. 82,133,599 common shares were outstanding at June 30, 2008, compared to 77,714,473 common shares outstanding at December 31, 2007. The increase is due to 4,551,326 common shares issued in connection with the acquisition of PhoneSpots on January 2, 2008, less 132,200 shares repurchased for cancellation, as disclosed in Note 4 and Note 9(e) respectively, of the interim consolidated financial statements.

During the three months ended June 30, 2008, no options and warrants were exercised. In addition, 800,000 options were granted and 370,000 options expired resulting in 10,296,000



options issued and outstanding. The Company also had 3,910,406 warrants outstanding as of June 30, 2008. Further information on CG's outstanding share capital is provided in Note 9 to the interim consolidated financial statements.

On April 21, 2008 the Company filed a Notice of Intention to make a Normal Course Issuer Bid ("NCIB") with the Toronto Stock Exchange (TSX). Under the NCIB, the Company may, during the twelve month period ending April 23, 2009, purchase a maximum of 5,000,000 of its outstanding common shares at market value. As of the effective date of this MD&A, the Company had purchased and cancelled 132,200 common shares under the NCIB.

CONTRACTUAL OBLIGATIONS

The Company has obligations under long-term operating leases for premises and office equipment for various periods up to 2013. Future minimum annual lease payments over the next five years and thereafter are as follows:

	Facilities	Equipment	Total
2008	\$ 524,725	\$ 5,684	\$ 530,409
2009	\$ 863,970	\$ 11,367	\$ 875,337
2010	\$ 812,746	\$ 11,367	\$ 824,113
2011	\$ 614,320	\$ 4,963	\$ 619,283
2012	\$ 381,919	\$ -	\$ 381,919
Thereafter	\$ 176,975	\$ -	\$ 176,975

RELATED PARTY TRANSACTIONS

During the 2nd quarter of 2008, the Company recorded \$144,608 (\$81,208 in 2007) of general and administrative expenses for transactions with companies controlled by officers in the normal course of operations during the first three months of 2008. Included in accounts payable and accrued liabilities is \$16,332 (2007 - \$73,350) due to various directors, officers and consultants of the Company all of which is for services rendered and reimbursement of expenses.

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 operated 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, while revenues for the variable portion of these fees are recognized as earned. In addition, the Company may charge 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 2008

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.

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

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

Other Recent Canadian Accounting Pronouncements Not Yet Adopted

The Canadian Institute of Chartered Accountants (“CICA”) has issued new accounting standards, Section 3064, *Goodwill and Intangible Assets*, which will be applicable to the Company’s 2009 fiscal year. Section 3064, *Goodwill and Intangible Assets*, will replace Section 3062, *Goodwill and Other Intangible Assets*. The Company is in the process of evaluating the disclosure and presentation requirements 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. An initial diagnostic impact assessment is planned for the second half of 2008.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have any “off-balance sheet” arrangements as of June 30, 2008.

OUTLOOK

Global Market Opportunity

The Kelsey Group, an independent organization that provides analysis of the directory services industry, has estimated that U.S. mobile search advertising revenues will grow from US\$33.2 million in 2007 to US\$1.4 billion in 2012, representing a compound annual growth rate (“CAGR”) of 112%. eMarketer, another market research company focusing on Internet, online marketing, media and emerging technologies, estimates worldwide mobile search advertising at US\$3.773 billion by 2012.

In a mobile consumer study conducted by The Kelsey Group and 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% of consumers surveyed 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. According to Nielsen, comScore, and Opus Research, other established research companies, mobile initiated search is expected to surpass desktop web search by 2015, making mobile search the more dominant mode of consumer search.

Further, the Kelsey Group 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% 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).

Readers are cautioned that CG has not independently verified the accuracy of the information provided by the Kelsey Group, eMarketer, Nielsen, comScore, and Opus Research.

Customer Expansion

The Company's existing business strategy is based on selling its three product lines to prospective customers world-wide. CG now has approximately 30 customers. While business development activities continue to progress, CG management also remains focused on the account management of the existing customer base. Management of the Company believes that the new product lines provide cross selling opportunities within the existing customer opportunities.

In respect of the existing customer base (as well as added new customers), CG has 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.

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 international market opportunities. CG re-affirms estimates of revenues for the year ended December 31, 2008, which are expected to range from \$7.0 million to \$9.0 million and to increase by over 200% in 2009 resulting in net profitability in the year. At the request of shareholders, CG provided forward looking estimates of revenue and profitability on an overall basis. Readers should be cautioned against using these statements for any other purposes and are referred to the cautionary statements respecting forward-looking statements on pages 1-3 of this MD&A.



Canadian Market - Yellowpages411

The Company continues to work with the Yellow Pages Group of Canada (“YPG”) and TELUS to provide consumers access to an interactive voice recognition-based service (marketed as IV Service) that provides merchant information for the most popular consumer categories associated with YPG’s directories. Consumers access the IV Service from two primary sources: (i) TELUS offers this service as part of its own directory assistance service, and (ii) YPG continues to offer the service through its own free to consumer “vanity” number – 310-YELO, branded as “YellowPages411”.

Currently, the IV-supported 411 directory assistance service offered by TELUS is available on a national basis for both land-line and wireless customers. Introduction of this integrated service resulted in significantly increased caller volume to the Yellowpages411 service. Initial results indicate that approximately 3.5% of directory assistance callers selected the IV-supported business category search. Expanding the IV Service to other call sources such as TELUS’s wholesale traffic continues to be a part of the Company’s business plan. However, the overall success of the IV Service is not reliant on further expansion.

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. Management of CG estimates that up to 10% of 411 directory assistance calls may be channeled to the IV Service, as callers select an IV supported business category search over a standard 411 assistance inquiry. However, the overall success of the IV Service is not reliant on achieving the target of 10%.

YPG and CG continue to review and evaluate additional commercial products in an effort to maximize the revenues derived from 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.

CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52-109 – *Certification of Disclosure in Issuer’s Annual and Interim filings*, the Company’s Chief Executive Officer and Chief Financial Officer have made certain certifications related to the Company’s interim filings (as defined by Multilateral Instrument 52-109), which have been filed with certain securities regulators in Canada.

Evaluation of Disclosure Controls and Procedures

As part of the MI 52-109 certifications, 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 particularly during the period in which the interim filings are being prepared. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in its filings with provincial securities regulators is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure. 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 June 30, 2008, the Company's disclosure controls and procedures are effective.

Management's Interim Report on Internal Control over Financial Reporting

As part of the MI 52-109 certifications, the Chief Executive Officer and Chief Financial Officer of the Company must certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR") and have designed such controls (or caused 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 June 30, 2008, they are satisfied with the design of the Company's ICFR. However, during the process, certain weaknesses were identified in the following areas: 1) segregation of duties; 2) adequate accounting staff; and 3) business combinations. During the second quarter of 2008, the Company undertook to address these weaknesses by hiring additional qualified accounting staff. The Company has established a framework for the testing of internal controls and is currently in the process of designing and developing the formalized tests required to test the existing internal controls.

Changes in Internal Controls over Financial Reporting

The CEO and CFO determined that there were no changes in the Company's ICFR that occurred during the three months ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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. 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. The risk factors noted below are more fully described in the Company's Annual Information Form filed March 31, 2008 or in the Company's 2007 Annual MD&A filed March 14, 2008 and continue to apply to Call Genie:

- *Substantial Capital Requirements*
- *Liquidity*
- *No Record of Profit*
- *Developing Market*
- *Stage of Development*
- *Reliance on Others Generally and Yellow Pages Group Co. in Particular*
- *Third Party Technology*
- *Rapid Technological Change*
- *Competition*
- *Need for Research and Development*
- *Defects and Liability*
- *Patents and Other Intellectual Property*
- *Ability to Manage Growth; Transition from Research and Development Company to Operating Company*
- *Availability of Personnel Resources*
- *Potential Fluctuations in Quarterly Operating Results*
- *Risk of Adverse Government Regulation*
- *Costs Associated with Compliance with Securities Laws*
- *Risk of Future Terrorist Attacks or Related Disasters*
- *Risk of Industry Consolidation*