

**Call Genie Inc.
(A Development Stage Enterprise)
Consolidated Interim Financial
Statements
For the three month period ended
March 31, 2005
(Unaudited)**

Contents

Consolidated Interim Financial Statements	
Consolidated Interim Balance Sheet	2
Consolidated Interim Statements of Operations and Deficit	3
Consolidated Interim Statements of Cash Flows	4
Notes to Consolidated Interim Financial Statements	5-8
Supplementary Information	9-10

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

	March 31, 2005	December 31, 2004 (Audited)
Assets		
Current		
Cash and cash equivalents	\$ 1,234,604	\$ 1,832,573
Accounts receivable	64,780	20,009
Prepaid expenses and advances	20,920	23,334
	1,320,304	1,875,916
Equipment (Note 3)	65,460	49,033
Other assets (Note 4)	68,396	47,558
	\$ 1,454,160	\$ 1,972,507
Liabilities and Shareholders' Deficiency		
Current		
Accounts payable and accrued liabilities	\$ 177,967	\$ 199,114
Shareholders' equity (deficiency)		
Equity instruments (Note 5 (b))	4,760,134	4,760,134
Contributed surplus (Note 5 (c) (i))	413,625	398,804
Deficit	(3,897,566)	(3,385,545)
	1,276,193	1,773,393
	\$ 1,454,160	\$ 1,972,507

Approved on behalf of the Board:

_____"SIGNED"_____
Richard W. DeVries, Director

_____"SIGNED"_____
Ronald D. Johnston, Director

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

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

For the three month period ended
March 31, **March 31,**
2005 **2004**

Expenses

Amortization	\$	8,852	\$	2,711
Business development		28,452		-
General and administrative		151,413		199,937
Interest		-		13,191
Sales and marketing		134,843		-
Stock based compensation (Note 5 (c))		14,821		56,457
Technology and product development, net		182,014		164,453
		520,395		436,749

Other income

Interest income		8,374		-
-----------------	--	--------------	--	---

Net loss for the period

(512,021) (436,749)

Deficit, beginning of period

(3,385,545) (1,490,385)

Deficit, end of period

\$ **(3,897,566)** \$ (1,927,134)

Loss per share*

\$ **(0.01)** \$ (0.02)

Weighted average number of shares

36,833,599 19,456,687

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

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

For the three month period ended
March 31, 2005 March 31, 2004

Cash flows from operating activities

Net loss for the period	\$	(512,021)	\$	(436,749)
Items not involving cash:				
Interest on convertible debenture		-		13,191
Stock based compensation		14,821		56,457
Amortization		8,852		2,711
		(488,348)		(364,390)
Changes in non-cash working capital:				
Accounts receivable		(44,771)		1,369
Prepaid expenses and advances		2,414		(44,902)
Accounts payable and accrued liabilities		(21,147)		83,134
Amount due to a related party		-		25,671
		(551,852)		(299,118)

Cash flows from financing activities

Advances under convertible debenture		-		260,000
		-		260,000

Cash flows from investing activities

Acquisition of equipment		(22,055)		(16,239)
Acquisition of other assets		(24,062)		(8,837)
		(46,117)		(25,076)

Increase (decrease) in cash and cash equivalents

		(597,969)		(64,194)
Cash and cash equivalents, beginning of period		1,832,573		72,869
Cash and cash equivalents, end of period	\$	1,234,604	\$	8,675

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

Call Genie Inc.
(A Development Stage Enterprise)
Notes to the Consolidated Interim Financial Statements
(Unaudited)

March 31, 2005

1. Nature of Operations and Going Concern

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

The Company is a development stage enterprise, involved in developing enhanced voice directory systems to be used in commercial applications. The Company has not yet determined the ultimate economic viability of the services under development. The Company is currently in the process of launching the enhanced voice directory. All costs incurred to date have been recorded as technology and development expense. The Company has started to recover some costs pursuant to the agreement with a directory service provider as a result of commercial launch.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. While there have been delays in revenue generating activities, it is management's intention to raise additional equity to compensate for any shortfall. Because the Company has derived limited revenue from its technology development projects, its ability to continue operations is uncertain and dependent upon the successful completion of technical and market development of such technology and achieving profitable operations. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the amounts and liabilities that might be necessary should the Company be unable to continue in business.

2. Significant Accounting Policies

The consolidated interim financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of interim financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated interim financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality. These consolidated interim financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements, except for the following:

(a) Revenue recognition

The Company sells its services primarily through a joint operating agreement with a directory service provider. As a part of this agreement, the Company is reimbursed certain costs and is entitled to a net profits interest. The costs reimbursed are treated as a reduction of related expenses. The net profits interest will be reported on a line by line basis (i.e. the Company will report its share of revenues and expenses).

Call Genie Inc.
(A Development Stage Enterprise)
Notes to the Consolidated Interim Financial Statements
(Unaudited)

March 31, 2005

3. Equipment

March 31, 2005			
	Cost	Accumulated Amortization	Net book value
Computer hardware	\$ 84,562	\$ 20,284	\$ 64,278
Office furniture and equipment	1,442	260	1,182
	\$ 86,004	\$ 20,544	\$ 65,460
December 31, 2004 (Audited)			
	Cost	Accumulated Amortization	Net book value
Computer hardware	\$ 62,506	\$ 14,717	\$ 47,789
Office furniture and equipment	1,442	198	1,244
	\$ 63,948	\$ 14,915	\$ 49,033

4. Other Assets

March 31, 2005			
	Cost	Accumulated Amortization	Net book value
Trademarks and patents	\$ 78,030	\$ 9,634	\$ 68,396
	\$ 78,030	\$ 9,634	\$ 68,396
December 31, 2004 (Audited)			
	Cost	Accumulated Amortization	Net book value
Trademarks and patents	\$ 53,968	\$ 6,410	\$ 47,558
	\$ 53,968	\$ 6,410	\$ 47,558

Call Genie Inc.
(A Development Stage Enterprise)
Notes to the Consolidated Interim Financial Statements
(Unaudited)

March 31, 2005

5. Equity Instruments

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

- (b) Issued and outstanding common shares

	Number of Shares	Amount
Balance, December 31, 2004 and March 31, 2005	36,833,599	\$ 4,687,728

Issued and outstanding warrants

	Warrant Exercise Price Range	Weighted Average Remaining Life	Number of Warrants	Amount
<u>Warrants</u>				
Balance, December 31, 2004 and March 31, 2005	\$0.225 – \$0.90	3.86 years	6,582,235	\$ 72,406
Total equity instruments				\$ 4,760,134

- (c) Options

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

As at March 31, 2005, \$14,821 has been recorded as stock based compensation related to the options with the corresponding amount charged to contributed surplus.

- (ii) The following table summarizes information about the stock options outstanding at March 31, 2005:

	Number of Options	Option Exercise Price Range	Weighted Average Remaining Life	Weighted Average Exercise Price
<u>Options</u>				
<i>Employees, directors and officers:</i>	1,450,000	\$0.30 - \$0.45	4.66 years	\$0.42
<i>Agents:</i>	1,219,600	\$0.30 - \$0.90	.68 years	\$0.46
Balance, December 31, 2004 and March 31, 2005	2,669,600	\$0.30 - \$0.90	2.84 years	\$0.44

Call Genie Inc.
(A Development Stage Enterprise)
Notes to the Consolidated Interim Financial Statements
(Unaudited)

March 31, 2005

6. Related Party Transactions

The Company had the following related party transactions:

- (a) During the first three months of 2005, the Company was charged \$Nil (2004 - \$15,000) for rent expense in the normal course of operations by a corporation controlled by a shareholder for shared office premises. The Company no longer shares the office premises.
- (b) In the first three months of 2005, the Company was advanced \$Nil (2004 - \$260,000) of \$1,000,000 on a convertible debenture from a corporate shareholder. The convertible debenture was closed off and converted to equity in 2004.
- (c) Included in technology and product development, and general and administrative expenses in the normal course of operations are \$58,875 (2004 - \$395,775) of consulting services paid to officers and consultants who are either shareholders or warrant holders of the Company.
- (d) Interest expense of \$Nil (2004- \$13,191) was accrued on the convertible debenture to a company who is also a corporate shareholder. The convertible debenture was closed off and converted to equity in 2004.

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

7. Non-Cash Transactions

During 2005, the Company paid interest of \$Nil (2004- \$13,191) on the convertible debenture by charging a credit to the debenture account. The convertible debenture was closed off and converted to equity in 2004.

8. Commitments

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

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

2005	\$	34,258
2006	\$	1,842

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

March 31, 2005

Technology and Product Development Expenses

Breakdown by major category:

	For the three month period ended	
	March 31, 2005	March 31, 2004
Consulting fees	\$ 12,000	\$ 153,121
Salaries and benefits	164,611	-
Travel expenses	1,412	2,623
Recording and tuning	9,001	-
Product development	-	2,749
Application hosting and telecommunications	8,164	-
Website development	-	5,960
Expensed recovered	(13,174)	-
	<u>\$ 182,014</u>	<u>\$ 164,453</u>

Sales and Marketing Expenses

Breakdown by major category:

	For the three month period ended	
	March 31, 2005	March 31, 2004
Consulting fees	\$ 95,163	\$ -
Salaries and benefits	27,227	-
Travel expenses	9,759	-
Telecommunications	1,060	-
Office supplies	1,634	-
	<u>\$ 134,843</u>	<u>\$ -</u>

Business Development Expenses

Breakdown by major category:

	For the three month period ended	
	March 31, 2005	March 31, 2004
Consulting fees	\$ 21,412	\$ -
Travel expenses	2,905	-
Conferences	3,648	-
Office supplies	487	-
	<u>\$ 28,452</u>	<u>\$ -</u>

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

March 31, 2005

General and Administrative Expenses

Breakdown by major category:

	For the three month period ended	
	March 31, 2005	March 31, 2004
Consulting fees	\$ 36,375	\$ 125,196
Salaries and benefits	35,262	-
Consumer and merchant research	-	12,200
Agency and filing fees	10,722	-
Shareholder communication	2,695	-
Insurance	4,694	-
Office supplies	4,532	1,986
Telecommunications	4,713	2,984
Software maintenance	-	2,683
Office rent	12,036	15,000
Professional fees	21,232	5,074
Travel expenses	15,394	23,377
Education, training and dues	2,220	8,575
Entertainment and promotion	1,538	2,862
	\$ 151,413	\$ 199,937