Call Genie Inc.
(A Development Stage Enterprise)
Consolidated Financial Statements
For the years ended December 31, 2005
and 2004

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Auditors' Report

To the Shareholders of
Call Genie Inc.

We have audited the consolidated balance sheets of Call Genie Inc. as at December 31, 2005 and 2004, and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

"signed BDO Dunwoody LLP"

Chartered Accountants

Calgary, Alberta
March 20, 2006

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

As at December 31		2005		2004
Assets				
Current				
Cash and cash equivalents (Note 2(b))	$	**2,486,540**	$	1,832,573
Accounts receivable		**114,182**		20,009
Prepaid expenses and deposits		**61,943**		23,334
		2,662,665		1,875,916
Equipment (Note 3)		**94,765**		49,033
Other assets (Note 4)		**74,376**		47,558
	$	**2,831,806**	$	1,972,507
Liabilities and Shareholders Equity				
Current				
Accounts payable and accrued liabilities	$	**321,337**	$	199,114
Shareholders' equity				
Equity instruments (Note 6)		**7,460,930**		4,760,134
Contributed surplus (Note 13)		**583,250**		398,804
Deficit		**(5,533,711)**		(3,385,545)
		2,510,469		1,773,393
	$	**2,831,806**	$	1,972,507

Going Concern (Note 1)
Commitments (Note 11)
Subsequent Events (Note 16)

Approved on behalf of the Board:

"SIGNED" Richard W. DeVries, Director

"SIGNED" Ronald D. Johnston, Director

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

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

For the year ended December 31	2005	2004	Cumulative since inception
Revenue	**$ 190,378**	$ -	$ 190,378
Costs of sales	**165,742**	-	165,742
Gross margin	**24,636**	-	24,636
Expenses:			
Amortization	**46,172**	18,628	67,498
Business development	**227,605**	16,348	243,953
General and administrative	**730,692**	705,138	2,541,106
Interest	**-**	23,653	29,520
Sales and marketing	**401,668**	106,543	508,211
Stock based compensation	**242,739**	283,224	581,556
Technology and product development, net (Note 5)	**574,314**	756,088	1,651,353
	2,223,190	1,909,622	5,623,197
Loss from operations	**(2,198,554)**	(1,909,622)	(5,598,561)
Other income:			
Interest income	**50,388**	14,462	64,850
Net loss for the year	**(2,148,166)**	(1,895,160)	(5,533,711)
Deficit, beginning of the year	**(3,385,545)**	(1,490,385)	-
Deficit, end of year	**$ (5,533,711)**	$ (3,385,545)	$ (5,533,711)
Basic and diluted loss per share	**$ (0.05)**	$ (0.07)	
Weighted average number of shares – basic	**39,786,471**	27,028,219	

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

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

For the year ended December 31	**2005**	2004	Cumulative since inception
Cash flows from operating activities			
Net loss for the year	**$ (2,148,166)**	$ (1,895,160)	$ (5,533,711)
Items not involving cash:			
Interest on convertible debenture	**-**	23,653	24,924
Issuance of common shares for services	**-**	-	112,500
Stock based compensation	**242,739**	283,224	581,556
Amortization	**46,173**	18,628	67,499
	(1,859,254)	(1,569,655)	(4,747,232)
Changes in non-cash working capital:			
Accounts receivable	**(94,173)**	8,186	(114,182)
Advances receivable	**-**	157,159	155,659
Prepaid expenses and advances	**(38,609)**	(21,834)	(60,443)
Accounts payable and accrued liabilities	**122,223**	22,612	322,942
Amount due to related parties	**-**	(122,140)	300,000
	(1,869,813)	(1,525,672)	(4,143,256)
Cash flows from financing activities			
Issuance of common shares (net of share issue costs)	**2,642,503**	54,018	3,195,744
Concurrent financing related to RTO (net of issue costs)	**-**	1,707,206	1,707,206
Advances under convertible debenture	**-**	260,000	605,000
	2,642,503	2,021,224	5,507,950
Cash flows from investing activities			
Acquisition of GRD, net cash acquired	**-**	1,386,900	1,386,900
Business combination costs	**-**	(28,414)	(28,414)
Acquisition of equipment	**(76,254)**	(48,684)	(140,204)
Acquisition of other assets	**(42,469)**	(45,650)	(96,436)
	(118,723)	1,264,152	1,121,846
Increase in cash and cash equivalents	**653,967**	1,759,704	2,486,540
Cash and cash equivalents, beginning of year	**1,832,573**	72,869	-
Cash and cash equivalents, end of year	**$ 2,486,540**	$ 1,832,573	$ 2,486,540

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

1. Nature of Operations and Going Concern

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

The Company is a development stage enterprise involved in developing enhanced voice directory systems to be used in commercial applications. The Company has not yet determined the ultimate economic viability of the products under development. The Company has launched the enhanced voice directory service in Canada. All costs incurred to date have been recorded as technology and development expense. The Company has started to earn revenue pursuant to the agreement with a directory service provider as a result of the 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. 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. Additional financing may also be required. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments to the amounts and liabilities that might be necessary should the Company be unable to continue in business.

2. Significant Accounting Policies

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

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

(b) Cash and cash equivalents
Included in cash and cash equivalents are bank balances and cashable short term investments cashable after 30 days. At December 31, 2005, the Company held cashable guaranteed investment certificates (GIC's) bearing interest rates of 2.25% with maturity terms of June 19, 2006 to July 5, 2006. All of these GIC's are cashable before maturity without penalty and have been treated as cash equivalents.

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

2. Significant Accounting Policies (cont'd)

(d) Revenue recognition
The Company currently sells its services through an exclusive joint operating agreement for Canadian markets with a directory service provider. This contract expires December 23, 2008 and will be automatically renewed for successive two year periods unless either party terminates the agreement in accordance with the agreement. Revenues are earned through the sale of directory advertising. Advertising revenues are generally billed, in accordance with the contractual terms with the advertisers, and recognized on a monthly basis over the estimated life of the directory advertising, not exceeding twelve months, commencing with the month the service went into operation. The Company is entitled to and records 100% of the monthly amounts billed to the directory advertiser, net of certain direct costs of the directory service provider, until payout of certain operating and development costs incurred on a cumulative basis have been recovered by the Company. As of December 31, 2005, the management estimates that the Company has not recovered cumulative costs of approximately $3.1 million, which is subject to final approval by the directory service provider. After payout of the above, the directory service provider is entitled to recover certain marketing costs, these costs will be recorded as a liability of the Company when it is more likely than not, that they will be recovered from project profits. After all costs above are recovered the Company will record its ongoing current monthly operating and development costs recoverable under the joint operating agreement and its share of net profit as revenue as agreed with the directory service provider.
The Company makes a provision for bad debts and cancellations of contracts using management's best estimate. The provision is netted against accounts receivable and revenue. The provision is reviewed on a regular basis by management.

(e) Cost of sales
The Company includes in cost of sales direct costs related to operating of the enhanced voice directory service which includes telephony costs, hosting, network, tuning and other third party charges.

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

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

Office furniture and equipment	5 years
Computer hardware	3 years
Computer software	1 year

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

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

2. Significant Accounting Policies (cont'd)

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

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

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

(k) Stock based compensation
The Company has a stock-based compensation plan as described in Note 6(c). The Company accounts for its stock-based compensation programs using the fair value method. Under this method, stock based compensation expense related to these programs is recorded in the statement of earnings and retained earnings with the corresponding amount increasing contributed surplus over the vesting period.

(l) Measurement uncertainty
The preparation of financial statements requires management to make estimates based on currently available information. In particular, management makes estimates of profitability, cash flows and other relevant assumptions for the amounts recorded for the amortization of property and equipment and intangible assets and the valuation of property and equipment, intangible assets, the recognition of future tax assets, the estimated value of stock-based compensation and the estimate of operating and development costs incurred to be reimbursed under the Company's agreement with the directory service provider. By their very nature, these estimates are subject to measurement uncertainty and the effect of changes on the financial statements of future periods could be material. The effect on the financial statements resulting from a revision in estimates, if any, will be accounted for prospectively.

3. Equipment

	December 31, 2005		
	Cost	Accumulated Amortization	Net book value
Computer hardware	$ 138,760	$ 44,990	$ 93,770
Office furniture and equipment	1,442	447	995
	$ 140,202	$ 45,437	$ 94,765

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

4. Other Assets

	December 31, 2005		
	Cost	Accumulated Amortization	Net book value
Trademarks and patents	$ 96,437	$ 22,061	$ 74,376

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

The company has given the directory service provider exclusive use of their trademarks, patents and technology for the term of the agreement, in the territory covered by the agreement for no additional cost.

5. Technology and Product Development

During the current year the Company recorded the benefit of receiving a cash refund of $225,327 (2004 - $Nil) under the Scientific Research and Experimental Development ("SR&ED") Program. The costs related to this tax credit refund covered the period from March 2003 to August 2004. The refund received has been netted against the related technology and development costs in the current period as no previous reasonable assurance existed,

6. Equity Instruments

(a) Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value, non cumulative, redeemable, and non voting

(b) Issued and outstanding common shares

	Number of Shares		Amount
Balance, December 31, 2000 and 2001 (i)	4,520,000	$	4,520
Issued for debt (ii)	681,692		469,500
Balance, December 31, 2002	5,201,692	$	474,020
Private placement (iii)	666,667		100,000
Issued for conversion of debenture (iv)	375,141		56,271
Private placement (v)	634,010		190,203
Private placement (vi)	150,000		45,000
Issued for services	112,500		112,500
Share issue costs on private placement	-		(10,000)
Balance, December 31, 2003	7,140,010	$	967,994
Shares issued on conversion of debt (vii)	1,927,490		578,247
Subtotal before business combination	9,067,500		1,546,241
Adjustment for business combination RTO (Note 8)	15,641,639		-
Shares issued on acquisition (Note 8)	7,500,000		1,512,656
Shares issued on concurrent financing (viii)	4,444,400		1,999,980
Less amount allocated to warrants	-		(72,406)
Share issue costs on concurrent financing ($59,987 relates to agents options granted Note 6(c) (i))	-		(352,761)
Shares issued on exercise of options	180,060		54,018
Balance December 31, 2004	**36,833,599**	**$**	**4,687,728**
Shares issued on private placement (ix)	**5,000,000**		**2,500,000**
Share issue costs			**(36,879)**
Shares issued on exercise of agent options	**582,940**		**179,382**
Fair value of agent options exercised (Note13)			**58,293**
Balance December 31, 2005	**42,416,539**	**$**	**7,388,524**

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6. Equity Instruments (cont'd)

Issued and outstanding warrants

Warrants	Warrant Exercise Price Range	WA[1] Remaining Life	Number of Warrants	Amount
Balance, December 31, 2004 and **December 31, 2005**	$0.225 – 0.90	2.80 years	6,582,235	$ 72,406
Total equity instruments				**$ 7,460,930**

[1]WA – weighted average

(i) During 2000, the Company issued 4,520,000 common shares to various directors, officers and consultants at a price of $0.001 each for proceeds of $4,520.

(ii) On October 31, 2002, the Company issued 409,015 common shares at a price $0.73 and 272,677 common shares at a price of $0.62 for net proceeds of $469,500 in settlement of the Company's outstanding indebtedness.

(iii) On June 30, 2003, the Company completed a private placement of 666,667 common shares at a price of $0.15 each for gross proceeds of $100,000 and share issuance costs of $10,000.

(iv) In April 2003, the Company issued 375,141 common shares at a price of $0.15 each upon the conversion of a debenture for $55,000 plus accrued interest of $1,271.

(v) On June 30, 2003 and September 30, 2003, the Company completed a private placement of 634,010 common shares at a price of $0.30 each for proceeds of $190,203.

(vi) On December 15, 2003, the Company issued an additional 150,000 shares pursuant to the financing underway in September 2003 at a price of $0.30 each for net proceeds of $45,000.

(vii) On May 28, 2004, the Company issued 1,927,490 shares upon the conversion of the Convertible Debenture in the amount of $578,247, principal and accrued interest, at $0.30 per share (Note 5).

(viii) On August 17, 2004, the Company issued 4,444,400 common shares as a result of an offering of 4,444,400 Units using a short form offering document, at a price of $0.45 per unit. Each Unit consisted of one common share and one-half of one share purchase warrant (Note 6 (c) (i)).

(ix) On June 16 and June 22, 2005 the Company issued 5,000,000 common shares, in aggregate, as a result of a private placement, at a price of $0.50 per share, for net proceeds of $2,463,121.

6. Equity Instruments (cont'd)

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

The Company measures compensation costs associated with stock-based compensation using the fair value method and the cost is recognized over the vesting period of the underlying security. As a result of the accelerated vesting as described above, the full value was recognized as at December 31, 2004. The fair value of each warrant was determined at the grant date using the Black-Scholes model assuming a risk-free interest rate of 3% and an expected volatility rate of 100%, dividend rate of 0% and expected life of 5 years.

For the year ended December 31, 2005, Nil (2004 - $263,463) has been recorded as stock based compensation related to these compensation warrants with the corresponding amount charged to contributed surplus.

(xi) As part of the concurrent financing, equity participants received one common share and a one-half of one share purchase warrant. Each full share purchase warrant, (up to 2,222,200) will entitle the holder to acquire one common share at an exercise price of $0.90 until February 2006. Subsequent to year end, all of the share purchase warrants expired without being exercised.

As at December 31, 2004, $72,406 of the total proceeds has been attributed to the warrants. The fair value was determined using the Black-Scholes model assuming a risk-free interest rate of 3% and an expected volatility rate of 55%, a dividend rate of 0% and expected life of 18 months.

(c) Options

The Company has a stock option plan which may be granted to its directors, officers and employees and consultants. The aggregate number of shares reserved for issuance under the Plan is up to 10% of the number of outstanding common shares. The Company has granted 3,375,000 stock options to its employees as at December 31, 2005 at a price ranging from $0.30 to $0.75 per share, exercisable ranging from every three months to once a year for a period of three years. The options have a life of five years and have expire dates ranging September 1, 2009 to December 1, 2010.

(i) The Company has also reserved an additional non-transferable option, to acquire up to 10% of the units placed (up to 444,440 units) in the concurrent financing at a price of $0.45 per unit, to be granted to the Agent's for services rendered. If exercised, this would result in up to 444,440 shares. The non-transferable option has an expiry date February 2006. Furthermore, since each unit has one-half a warrant attached to it, the Agent's will also have the option to additionally acquire up to 222,220 shares which may be exercised at the price of $0.90 per share.

As at December 31, 2004, $59,987 has been included in the share issue costs, with the corresponding amount charged to contributed surplus for the options and warrants issued to the agent above. The fair value was determined using the Black-Scholes model assuming a risk-free interest rate of 3% and an expected volatility rate of 55%, dividend rate of 0% and expected life of eighteen months.

6. Equity Instruments (cont'd)

(c) Options (cont'd)

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 with the following assumptions:

	2005	2004
Risk Free Rate	**3% - 4.0%**	3.5%
Dividend Yield	**0.0%**	0.0%
Volatility Rate	**69.0% - 83.0%**	55.0%
Expected Option Life	**5 years**	5 years
Weighted Average Fair Value at Grant Date	**$0.21 per share**	$0.13 per share

As at December 31, 2005, $242,739 (2004 - $19,761) has been recorded as stock based compensation related to options with the corresponding amount charged to contributed surplus.

(ii) At the time of the business combination with GRD, there were 600,000 GRD options outstanding to directors of GRD. Additionally, there were 583,000 options outstanding for issuance to agents under the GRD IPO which expired on May 28, 2005 and were exercisable at $.30. The option plan that was in effect prior to the business combination continues as is, except that the options are now exercisable into Call Genie shares. The exercise price per share is $0.30.

(iii) The following table summarizes information about the stock options outstanding at December 31, 2005:

Options	Number of Options	Option Exercise Price Range	WA(1) Remaining Life	Weighted Average Exercise Price
Employees, directors and officers:				
Balance, December 31, 2002	-	-		-
Options granted to directors on IPO	600,000	$0.30	4.91 years	$0.30
Balance, December 31, 2003	600,000	$0.30	4.91 years	$0.30
Options granted to employees	1,150,000	$0.45	4.69 years	$0.45
	1,750,000	$0.30 - $0.45	-	$0.40
Less:				
Employee options exercised	(150,000)	$0.30	-	$0.30
Employee options expired	(150,000)	$0.30	-	$0.30
Balance, December 31, 2004	1,450,000	$0.30 - $0.45	4.53 years	$0.42
Options granted to employees and consultants	**1,925,000**	**$0.50 - $0.75**	**4.52 years**	**$0.51**
Subtotal, December 31, 2005	**3,375,000**	**$0.30 - $0.75**	**4.09 years**	**$0.47**

6. Equity Instruments (cont'd)

Agents:				
Balance, December 31, 2002	-	-		-
Options granted to agents on IPO	583,000	$0.30	1.44 years	$0.30
Balance, December 31, 2003	583,000	$0.30	1.44 years	$0.30
Options issued to agents on concurrent financing	444,440	$0.45	1.25 years	$0.45
Option to acquire share purchase warrants	222,220	$0.90	1.25 years	$0.90
	1,249,660	$0.30 - $0.90	-	$0.46
Less:				
Agents options exercised	(30,060)	$0.30	-	$0.30
Balance, December 31, 2004	1,219,600	$0.30 - $0.90	0.87 years	$0.46
Less:				
Agents options exercised	**(582,940)**	**$0.30 - $0.45**	**-**	**$0.31**
Subtotal, December 31, 2005	**636,660**	**$0.45 - $0.90**	**0.13 years**	**$0.61**
Balance, December 31, 2005	**4,011,660**	**$0.30 - $0.90**	**3.46 years**	**$0.49**

[1)]WA – weighted average

Subsequent to the year end, 354,190 options at a price of $0.45, granted to Agent's for services rendered during the 2004 concurrent financing, were exercised for cash proceeds of $159,386. The remaining 282,470 agent options expired without being exercised.

The following table summarizes information about the employee and consultant stock options outstanding at December 31, 2005:

Options outstanding	Option price	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
300,000	$0.30	2.91 years	300,000	
1,150,000	$0.45	3.69 years	383,333	
1,200,000	$0.50	4.42 years	-	
600,000	$0.50	4.67 years	25,000	
25,000	$0.50	4.71 years	-	
100,000	$0.75	4.92 years	25,000	
3,375,000		4.09 years	733,333	$0.42

6. Equity Instruments (cont'd)

The following table summarizes information about the employee and consultant stock options outstanding at December 31, 2004:

Options outstanding	Option price	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
300,000	$0.30	3.91 years	300,000	
1,150,000	$0.45	4.69 years	-	
1,450,000		4.53 years	300,000	$0.30

The weighted average remaining contractual life for options that are currently exercisable is 3.52 years.

(d) Escrow shares

The 1,670,000 Founders shares are held in escrow and will be released as to 10% thereof following acceptance of the Qualifying Transaction, as disclosed in Note 8, and as to 15% thereof on each of the 6th, 12th,18th, 24th, 30th, and 36th month anniversary dates following the initial release date of August 18, 2004. As at December 31, 2005, 1,002,000 (2004 – 1,503,000) shares were held in escrow.

The 21,101,096 shares issued pursuant to the Qualifying Transaction, as disclosed in Note 8, are subject to an Escrow Agreement dated August 17, 2004 and will be released as to 5 % each of the 6th, 12th, 18th, and 24th month anniversary dates and 10% thereof on every 6th month anniversary. As at December 31, 2005, 18,990,990 (2004 – 21,101,096) shares were held in escrow.

The 930,464 shares issued pursuant to the Qualifying Transaction, as disclosed in Note 8, are subject to and Escrow Agreement dates August 17, 2004 and will be released as to 10% at the time the transaction is finalized and 15% thereof on every 6th month anniversary. As at December 31, 2005, 558,280 (2004 – 837,418) shares were held in escrow.

7. Related Party Transactions

The Company had the following related party transactions:

(a) During 2005, the Company was charged Nil (2004- $45,000) for rent expense in the normal course of operations by a corporation controlled by a shareholder for shared office premises.

(b) The Company was advanced Nil (2004 - $260,000) on a Convertible Debenture from a corporate shareholder. Also, during 2004, the Company issued 1,927,490 common shares upon conversion of this debenture at $0.30 per share (Note 6 (b) (v)).

(c) Included in technology and product development, business development, and general and administrative expenses in the normal course of operations are $283,412 (2004 - $461,575) of consulting services paid to companies controlled by officers or directors of the Company.

7. Related Party Transactions (cont'd)

(d) During 2005, officer and directors of the Company subscribed for 420,000 (2004 - 22,000) common shares for total proceeds of $210,000 (2004 - $9,900) through a private placement (2004 - a concurrent financing offer).

(e) Included in accounts payable and accrued liabilities is $71,343 (2004 - $57,674) due to various directors, officers and consultants of the Company of which $61,343 (2004 - $57,674) is for services rendered and reimbursement of expenses.

(f) During 2005, the Company accrued interest of Nil (2004 - $22,380) on the convertible debenture by increasing the amount of the debenture.

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

8. Business Combination

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

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

The value of the 7,500,000 shares issued on acquisition was based on the fair value of the net assets acquired. (Note 6(b)). The fair value of the Company's net assets was $1,512,656, which approximated carrying values as all the assets acquired substantially were cash and short term receivables.

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

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

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9. Income Taxes

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

	2005	2004
Combined tax rates	34%	34%
Expected income tax (recovery) at statutory rate	$ (730,376)	$ (644,354)
Stock-based compensation	82,531	96,296
Change in rate	47,516	(11,210)
Other permanent differences	4,710	3,593
Change in valuation allowance	595,619	555,675
Actual income tax provision	$ -	$ -

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

The components of the Company's future income tax asset are a result of the origination and reversal of temporary differences and are comprised of the following:

Nature of temporary differences	2005	2004
Property and equipment and other assets	$ (2,440)	$ (1,105)
Share issue costs	114,674	148,747
Unused tax losses carry forward	1,755,998	1,112,580
	1,868,232	1,260,222
Valuation allowance	(1,868,232)	(1,260,222)
Future income tax asset	$ -	$ -

As at December 31, 2005, subject to confirmation from the income tax authorities, the Company has $5,226,184 of non-capital losses that are available for carry forward to offset future taxable income expire as follows:

	Non-Capital Losses
2006	$ 199,532
2007	216,958
2008	145,800
2009	925,878
2013	982,992
2014	735,121
2015	2,019,903
	$ 5,226,184

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December 31, 2005

10. Non-Cash Transactions

During 2005, the Company paid interest of Nil (2004 - $22,380) on the convertible debenture by charging a credit to the debenture account.

11. Commitments

Effective January 23,, 2006, the Company entered into a lease agreement for new premises. The terms of the lease commenced on March 1, 2006 and terminate on March 1, 2011.

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

2006	$	98,839
2007	$	118,687
2008	$	118,687
2009	$	118,687
2010	$	118,687
2011	$	19,848

12. Indemnifications

(a) Directors and officers
Under the terms of the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements.

(b) Other
In the ordinary course of business, the Company enters into contracts which contain indemnification provisions, such as loan agreements, purchase contracts, service agreements, licensing agreements, asset purchase and sale agreements, operating agreements, leasing agreements, asset use agreements etc. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

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December 31, 2005

13. Contributed Surplus

Balance December 31, 2003 for value assigned for options (Note 6 (c)(ii))	$	55,593
Value assigned for options (Note 6 (c)(i)		79,748
Value assigned for warrants (Note 6 (b)(x))		263,463
Balance, December 31, 2004	$	398,804
Value assigned for options (Note 6 (c)(i))		**242,739**
Value of options exercised during the year (Note 6 (c)(iii))		**(58,293)**
Balance, December 31, 2005	**$**	**583,250**

14. Financial instruments

As disclosed in Note 2(h), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to credit risk and interest rate risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Credit Risk
All the Company's trade accounts receivable are from one directory service provider and as such, the Company is exposed a concentration of credit risk. At December 31, 2005 all of the Company's cash was held at one financial institution.

15. Economic dependence

At December 31, 2005, the Company earned all of its revenues from one directory service provider. The Company incurred expenses of $165,369 to the directory service provider. Included in accounts payable is $107,220 payable to this directory service provider.

16. Subsequent Events

(a) Subsequent to the year end, the Company entered into a financing engagement letter with National Bank Financial Inc. dated February 28, 2006 for a private placement of $10 million of Common Shares on a best efforts basis at $1.00 per share. The Company has agreed that it will, upon successful completion of the Offering, pay a 6% cash commission to the Agents and issue to the Agents broker warrants entitling them to acquire, in the aggregate, a number of common shares equal to 6% of the total number of common shares sold in connection with the Offering, at an exercise price of $1.00 per share for a period of 24 months.

The offering is subject to certain conditions including regulatory approval and is expected to close on March 21, 2006.

(b) Subsequent to year end, the Company granted 620,000 stock options to employees and consultants under the Company's stock option plan with exercise prices ranging from $.50 to $.94 per share and expiring in 2011.

17. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

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December 31, 2005

Technology and Product Development Expenses
Breakdown by major category:

For the year ended December 31	**2005**	2004	Cumulative Since inception
Consulting fees	**$ 28,423**	$ 461,906	$ 798,499
Salaries and benefits	**726,193**	218,709	944,902
Travel expenses	**21,238**	12,557	33,795
Training and development	**8,968**	3,401	23,659
Product development	**-**	27,364	27,364
Application hosting and telecommunications	**14,819**	19,587	34,406
Miscellaneous costs	**-**	2,779	4,270
Website development	**-**	9,785	9,785
Government grant	**(225,327)**	-	(225,327)
	$ 574,314	$ 756,088	$ 1,651,353

Sales and Marketing Expenses
Breakdown by major category:

For the year ended December 31	**2005**	2004	Cumulative Since inception
Consulting fees	**$ 235,673**	$ 38,118	$ 273,791
Salaries and benefits	**95,629**	45,263	140,892
Travel expenses	**52,456**	18,036	70,492
Telecommunications	**3,162**	1,004	4,166
Advertising	**11,475**	-	11,475
Miscellaneous	**-**	2,234	2,234
Office supplies	**3,273**	1,888	5,161
	$ 401,668	$	$ 508,211

Business Development Expenses
Breakdown by major category:

For the year ended December 31	**2005**	2004	Cumulative Since inception
Consulting fees	**$ 94,963**	$ 1,500	$ 96,463
Salaries and benefits	**63,517**	0	63,517
Travel expenses	**36,274**	3,649	39,923
Conferences	**24,849**	7,041	31,890
Telecommunications	**3,491**	0	3,491
Office	**3,821**	0	3,821
Presentation materials	**690**	4,158	4,848
	$ 227,605	$ 16,348	$ 243,953

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December 31, 2005

General and Administrative Expenses
Breakdown by major category:

For the year ended December 31	**2005**	2004	Cumulative since inception
Consulting fees	**$ 187,439**	$ 376,119	$ 1,239,334
Salaries and benefits	**203,038**	57,735	260,773
Consumer and merchant research	**-**	37,043	37,043
Agency and filing fees	**20,879**	11,905	32,784
Recruitment and relocation	**30,025**	-	51,425
Software maintenance		2,683	2,683
Insurance	**19,592**	4,848	24,440
Telecommunications	**21,976**	12,248	34,224
Shareholder communication	**47,238**	1,419	48,657
Office supplies	**21,717**	9,267	76,049
Office rent	**49,007**	60,993	159,439
Professional fees	**69,313**	59,400	367,269
Travel expenses	**48,783**	53,743	159,065
Education and training	**3,034**	8,252	13,286
Entertainment and promotion	**8,651**	9,483	34,635
	$ 730,692	$ 705,138	$ 2,541,106

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