MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") for Call Genie Inc. ("**CG**", "**Call Genie**" or the "**Company**") should be read in conjunction with CG's unaudited condensed interim consolidated financial statements and the accompanying notes as at and for the three and six months ended June 30, 2011, which have been filed with certain securities regulatory authorities in Canada and may be accessed through the SEDAR website at www.sedar.com (under Call Genie's profile). References in this MD&A to the Company's financial position and results of operations are presented on a consolidated basis and include the accounts of the Company and its wholly-owned subsidiaries, Call Genie (Ontario) Inc., Call Genie (USA), Inc., BTS Logic Europe ApS, Call Genie Europe B.V., and PhoneSpots Limited. **Unless otherwise indicated,** CG's quarterly financial statements, including the notes thereto, and the financial information presented in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are stated in Canadian currency unless otherwise indicated. This MD&A is dated August 10, 2011 and the information in this MD&A is current to August 9th, 2011, 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 concerning the Company and its business and operations may be obtained from continuous disclosure materials filed by the Company from time-to-time with certain securities regulatory authorities in Canada. These continuous disclosure materials, including the Company's Annual Information Form, are available through the Company's website at www.callgenie.com or through the SEDAR website at www.sedar.com (under Call Genie's profile).

FORWARD LOOKING STATEMENTS AND DISCLAIMER

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", "scheduled", "believe" and similar expressions. The forward-looking information set out in this MD&A includes statements concerning the Company's new Software as a Service ("SaaS") platform such as the anticipated introduction of that platform in the third quarter of 2011, expectations with respect to the integration of customer relationships under the SaaS platform, and the nature of the payments expected to be received by the Corporation under the SaaS platform.

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. With respect to the information concerning the SaaS platform, those risks, uncertainties and factors include, but are not limited to, such things as lack of acceptance by customers, management's estimates of project requirements being incorrect, unavailability of suitable internal resources, information received from customers with respect to anticipated transaction volumes being incorrect, a lack of advertising sources for integration into the platform, and management's understanding of the competitive and regulatory environment being incorrect. **Accordingly, readers should not place undue reliance upon the 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.**

Forward-looking information respecting the timing of the introduction of the SaaS platform is based upon various assumptions and factors, including management's estimates of project requirements, progress made to date in the development and deployment of SaaS, estimations of additional time required to complete the implementation and the availability of resources to complete the activities.

Call Genie does not assume responsibility for the accuracy and completeness of the forward-looking statements set out in this MD&A and, subject to applicable securities laws, does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances. Call Genie's forward-looking statements are expressly qualified in their entirety by the foregoing cautionary statement.

EXECUTIVE SUMMARY

Call Genie's mission is to be a leading global solutions provider in mobile local search and mobile digital interactive advertising by enabling traditional industries to move to new business models that support the connection of mobile consumers and local merchants. Call Genie seeks to provide technology, services and solutions that utilize advanced wireless networks as well as the mobile internet to enable a "mobile ecosystem" that encompasses advertisers, advertising publications (*e.g.* internet yellow pages), network service providers and mobile users.

The Company's loss for the six months ended June 30, 2011 was $2.0 million or $0.02 per share, a 67% improvement from the loss of $6.1 million or $0.07 per share reported for same period in 2010. The reduced loss for this period was primarily the result of increased transaction revenues and reduced labour cost expenditures in all areas of the Company's business. Revenues for the first six months of 2011 were $3.2 million compared to $1.9 million for the same period in 2010. The overall increase in revenues is primarily attributable to transactional processing fees earned following the implementation of a new call volume source by a significant yellow pages provider in the United States. Usage based revenues represented 46% of revenues for the six months ended June 30, 2011 compared to 9% for the same period in 2010. For the six months ended June 30, 2011 (as compared to 2010), labour costs decreased $1.4 million as the average number of employees was 35 compared to 49. As a result of the increased transaction revenues and decreased labour costs, EBITDA improved by $4.3 million from negative $4.5 million to negative $0.2 million.

The Company's loss for the three months ended June 30, 2011 was $0.3 million or $0.00 per share, a 90% improvement from the loss of $3.0 million or $0.04 per share reported for same period in 2010. Revenues for the second quarter of 2011 were $2.1 million, which was consistent with the revenue guidance previously issued by the Company for the period. This compared to revenue of $1.3 million for the same period in 2010 and the increase was attributable to an increase in transaction revenues, which represented 46% of total revenues. For the quarter ended June 30, 2011 (as compared to 2010), labour costs decreased $0.4 million as the average number of employees was 34 compared to 42. As a result of the increased transaction revenues and decreased labour costs, EBITDA improved by $2.7 million from negative $2.2 million to positive $0.4 million for the quarter. Q2 2011 is the first quarter in the history of the Company that it has reported positive EBITDA.

As at June 30, 2011, the Company had an unrestricted cash balance of $1.8 million and accounts receivable of $0.9 million. Cash flow used in operations was $1.5 million for the six months ended June 30, 2011, which is $2.1 million less than the $3.6 million of cash flow used in operations for the same period in 2010. Deferred revenue at June 30, 2011 was $1.7 million, a decrease of $1.6 million from December 31, 2010.

In June 2011, the Company announced that a major U.S. based yellow pages provider initiated the renegotiation of its contractual relationship with the Company. In connection with this renegotiation, the Company is planning to introduce its Software as a Service (“SaaS”) platform in the third quarter of 2011. Under this initiative, the Company expects to integrate many of its existing customer relationships with its own hosted platform to provide a comprehensive advertising network to various sources of call-based and web-based consumer traffic. The amount of revenue generated from this platform will depend, to a significant degree, on the Company's ability to source relevant ads, such that consumers act in a manner that generates a measurable sale lead to a merchant. The Company expects that, under such arrangements, it will be paid based on the number and type of leads generated. Due to the nature of performance based revenues, variability of potential results, and the uncertainty of consumer adoption, the Company is not providing any financial guidance for future periods at this time.

The following table sets out selected financial information as at the dates and for the periods indicated:

KEY FINANCIAL METRICS in 000's (except share amounts)	**6 months ended June 30, 2011**	**6 months ended June 30, 2010**	**6 months ended June 30, 2009***
Cash and cash equivalents	$ 1,829	$ 404	$ 2,348
Deferred revenue	$ 1,735	$ 4,171	$ 1,875
Revenue	$ 3,190	$ 1,875	$ 1,773
Net loss	$ (2,002)	$ (6,053)	$ (6,342)
Loss per share – basic and fully diluted	$ (0.02)	$ (0.07)	$ (0.08)
Common shares outstanding			
- Basic	90,173,575	84,627,874	82,993,656
- Fully diluted	161,461,048	116,751,830	103,395,662

* Amounts prior to January 1, 2010 are reported using Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

BUSINESS STRATEGY

Our Goal and Strategy

Call Genie's mission is to be a leading global solutions provider in mobile local search and mobile digital interactive advertising by enabling traditional industries to move to new business models that support the connection of mobile consumers and local merchants. The Company seeks to provide technology, services and solutions that utilize advanced wireless networks as well as the mobile internet to enable a "mobile ecosystem" that encompasses advertisers, advertising publications (*e.g.* internet yellow pages), network service providers and mobile users. Call Genie provides a range of tools and marketing solutions to advertisers and advertising aggregators designed to enable them to reach consumers through mobile devices and the mobile internet, using both voice commands and data services. This information or advertising is presented to users in voice or data format (or both) and may be sent to advanced mobile devices such as the Blackberry and the iPhone. Consumers use the information to connect with merchants or to find contact details such as address, phone number, hours of operations and directions.

Strategic Priorities and Progress in 2011

The following table sets out information concerning various strategic priorities established for the Company and the progress made by the Company to date in achieving those priorities.

Strategic Priority	Current Status
Deliver solutions	• Solutions deployed in 12 countries; principally in Canada, the United States and Europe. • The sales and account management function is focused on defining solutions rather than selling technology. • Developing SaaS platform in an effort to improve efficiency and time to market
Focus on business models	• Commercial agreements entered into in connection with customer projects provide for performance-based compensation and are intended to provide new revenue streams for the customer.
Take advantage of legacy business transitional window	• Solutions enable monetization of directory assistance calls, intercept calls and SMS.
Increase revenue through customer retention and relationship expansion	• Many solutions have been deployed and are in the early stages of performance based revenue generation.
Embrace partnerships in eco-system for sustainable differentiation	• Key business development team hired with strong industry contacts. • Established Mobile Marketing business relationships with mobile ad providers.
Secure additional financing	• Completed $5.0 million of financing in the first quarter of 2011. Continuing to pursue potential financing alternatives.

KEY PERFORMANCE DRIVERS

There are three key drivers that management has monitored in recent years to gauge performance and the Company's ability to execute its business plan. Those drivers are summarized below:

1) Usage Revenues from Existing Customers:

   The commercialization of previously announced customer relationships (DEX ONE, Verizon, and to a lesser degree TELUS) is on-going. To date, revenues from these customer relationships have been primarily generated from implementation fees. The agreements with these customers provide for revenue from transaction fees following implementation and commercial roll-out of applications using CG technology.

2) Revenues from Ad Network Opportunities:

   The Company has expanded its addressable market to include making its mobile local search and advertising products available to newspaper publishers, radio and television broadcasters and is engaged in discussions with both local and national brand advertisers who have expressed an interest in capitalizing on this type of inventory. Management believes that Ad Network opportunities continue to hold potential as illustrated by the Company's various syndication agreements in the United States and the multi-year agreement with France Telecom to supply its AdExchange technologies.

3) Revenues from Deployment of Directory Assistance Workstation Software:

   The Company has identified several business development opportunities for the sale of its workstation software. In the past, the Company has entered into agreements that are based on fixed up-front license fees rather than a future orientated revenue sharing arrangement. This software is of particular importance in Europe where voice automation has been slow to penetrate in many markets.

CAPABILITY TO DELIVER

Leadership

Execution of the Company's business plan is, to a significant degree, dependent on the capabilities of the people within the organization. Executive leadership is a key component of the planning, organizing and delivery necessary to achieve success. The Company has an executive management team with over 72 combined years of industry specific experience in the technology field. The executive team is led by Michael Durance, the Company's Chief Executive Officer. Mr. Durance has over 30 years of experience and has been with CG since June 1, 2005.

The Company has assembled an experienced executive team that includes Chet Chan, Chief Operating Officer (formerly General Manager North America (hired in June 2007 with 21 years of experience)), and Chris Shelton, Chief Financial Officer (hired in March 2006 with over 21 years of experience). Effective August 31, 2011, the Company's contractual relationship with Darren Logue, SVP of Global Business Development expires. Further information about the executive team and the Board of Directors is available on the Company's website at www.callgenie.com.

Financing

At June 30, 2011, the Company had a cash balance of $1.8 million. The Company's future operations remain dependent upon its ability to: 1) raise additional funds; 2) realize transaction revenues from existing customer relationships; or 3) secure new customer relationships that provide the Company with adequate funds to cover expenditures projected for the balance of 2011 (or a combination of the foregoing). If the Company does not generate sufficient funds from existing or new customer relationships and it is unable to raise additional financing, the Company will have to consider strategic alternatives, which may include, among other things, exploring the monetization of certain intangible assets, modification of planned operating expenditures, or the sale of the Company.

Productive Capacity

The Company's business model is premised on its ability to generate recurring revenues without a proportional increase in expenses for staff salaries and benefits. To that end, the Company builds its application software using a product model rather than building individual customized solutions. The introduction of the SaaS platform is expected to increase efficiency through the potential to reduce the number of application instances. Management of CG believes that the Company has adequate human resources to deliver all projects currently scheduled.

RESULTS OF OPERATIONS

Overall

The Company's loss for the six months ended June 30, 2011 was $2.0 million or $0.02 per share, a 67% improvement from the loss of $6.1 million or $0.07 per share reported for same period in 2010. The reduced loss for this period was primarily the result of increased transaction revenues and reduced labour cost expenditures in all areas of the Company's business. Revenues for the first six months of 2011 were $3.2 million compared to $1.9 million for the same period in 2010. The overall increase in revenues is primarily attributable to transactional processing fees earned following the implementation of a new call volume source by a significant yellow pages provider in the United States. Usage based revenues represented 46% of revenues for the six months ended June 30, 2011 compared to 9% for the same period in 2010. For the six months ended June 30, 2011 (as compared to 2010), labour costs decreased $1.4 million as the average number of employees was 35 compared to 49. As a result of the increased transaction revenues and decreased labour costs, EBITDA improved by $4.3 million from negative $4.5 million to negative $0.2 million.

Revenues

Revenues for the six months ended June 30, 2011 increased to $3.2 million from $1.8 million for the comparative period in 2010, which is an 80% period-over-period increase. Revenues increased $1.9 million in North America. In Europe and the rest of the world revenues did not materially change. Revenues for the quarter ended June 30, 2011 increased to $2.1 million from

$1.3 million for Q2 2010, which is a 64% quarter-over-quarter increase. The following table sets out additional information concerning revenue by product line for the periods indicated.

In 000's	**6 months ending June 30, 2011**	**6 months ending June 30, 2010**	**Variance**	**% change**
Voice	2,126	301	1,861	618%
SMS Data	247	217	30	14%
Workstation	781	1,357	(576)	(42%)
Total	**3,190**	**1,774**	**1,416**	**80%**

In 000's	**3 months ending June 30, 2011**	**3 months ending June 30, 2010**	**Variance**	**% change**
Voice	1,517	154	1,363	885%
SMS Data	137	124	33	27%
Workstation	426	1005	(579)	(58%)
Total	**2,100**	**1,283**	**817**	**64%**

The overall increase in revenues is primarily attributable to transactional processing fees earned through a customer relationship with a significant yellow pages provider in the United States. Usage based revenues represented 46% of revenues for the six months ended June 30, 2011 compared to 9% for the same period in 2010. Early in the third quarter of 2011, the Company initiated a transition to a new service and business model under which the Company expects to generate usage revenues through the SaaS platform. There can be no assurance that the terms of any new arrangements under the SaaS will be as favorable as the terms of prior arrangements or will result in similar levels of revenues for the Company.

Deferred revenue at June 30, 2011 was $1.7 million compared to $3.4 million at December 31, 2010. Approximately 84% of the deferred revenue reported at June 30, 2011 was recorded as a current liability in accordance with IFRS.

Operating Costs

Expenses for the six months ended June 30, 2011 decreased to $3.4 million from $6.4 million for the same period in 2010. The decrease of $3.0 million was primarily due to lower staff levels in all operational areas of the business and a $1.1 million impairment charge recorded in respect of an intangible asset in 2010 (nonrecurring in 2011). The decrease in staff was principally attributable to increased efficiency and the cash conservation programs implemented by the Company. Expenses for the quarter ended June 30, 2011 decreased to $1.7 million from $3.5 million for the same period in 2010. The decrease is attributable to lower staff levels and the $1.1 million impairment charge noted previously.

Network and Data Costs

Network and Data Costs consist of non-labour costs directly incurred to provide hosted services. This includes network, data and operating charges required to support revenue generating services. Network and Data Costs for the six months ended June 30, 2011 totaled $0.1 million compared to $0.4 million for the same period in 2010. The 75% decrease of $0.3 million was primarily attributable to the decrease in direct costs incurred to support the Company's Deal or No Deal sweepstakes program. Network and Data Costs for the quarter ended June 30, 2011 was $0.1 million compared to $0.2 million for Q2 2010.

Labour Costs

Labour Costs consist of employee salaries, employee benefits, consultant contracts and stock option compensation expense. For the six months ended June 30, 2011, labour costs were $2.2 million compared to $3.6 million for same period in 2010. The period-over-period decrease in expenditures of $1.4 million represented an approximate 38% decrease. The decrease was primarily due to increased efficiency and fewer staff members engaged in all areas of the business. The average number of employees was 35 for the first six months of 2011 compared to 49 in for the same period in 2010. For the quarter ended June 30, 2011, labour costs were $1.1 million compared to $1.5 million for Q2 2010 due to fewer staff – 34 compared to 42.

Other Operating Costs

Other Operating Costs consist primarily of facility costs, professional services, telephone expenses, travel, and costs associated with operating as a public company. Other Operating Costs for the six months ended June 30, 2011 totaled $1.1 million compared to $1.3 million for the same period in 2010. The decrease of $0.2 million (or approximately 16%) was principally attributable to the Company's cash conservation program relating to office rent and telecommunications costs. Other Operating Costs for the quarter ended June 30, 2011 were $0.6 million compared to $0.7 million for Q2 2010.

Impairment of Intangible Assets

For the three and six months ended June 30, 2010 the Company recorded an impairment charge in respect of an intangible asset of $1.1 million. The impairment charge in 2010 related to certain assets capitalized with respect to an advertising network program. No similar expense was recorded in the comparable periods in 2011.

EBITDA

EBITDA for the six months ended June 30, 2011 was negative $0.2 million, compared to negative $4.5 million for the same period in 2010. The 96% improvement is primarily attributable to the reduced labour costs and the increase in usage-based revenues generated from customers. EBITDA for the quarter ended June 30, 2011 was positive $0.4 million, compared to negative $2.2 million for the same period in 2010. The second quarter of 2011 is the first quarter in the history of the Company that generated positive EBITDA.

Amortization

Amortization expense for the six months ended June 30, 2011 was $0.5 million, compared to $0.9 million for the same period in 2010. Amortization expense for the quarter ended June 30, 2011 totaled $0.2 million compared to $0.4 million for the same period in 2010. The improvement is primarily attributable to lower amortization from an intangible license purchased in 2009 which was fully amortized in 2010.

Interest Income/Expense

Interest expense for the three and six months ended June 30, 2011 was $0.7 million and $1.5 million respectively, which was primarily attributable to the convertible debentures that were privately placed during 2009 and 2010. The comparable expenses were $0.3 million and $0.6 million respectively for the same periods in 2010.

Provision for Income Tax Expense

For the three and six months ended June 30, 2011, the Company recorded a gain in income tax expense of $0.3 million. In 2007, in connection with the Company's acquisition of BTS Logic Europe ApS, the Company recorded a provision for potential tax reassessment. As this exposure is now statute barred, the provision has been reversed. No similar expense or recovery was recognized in the comparative periods in 2010.

Net Loss

The Company's net loss for the three and six months ended June 30, 2011 was $0.3 million and $2.0 million respectively, which was $2.7 million and $4.1 million respectively lower than the net loss for the same periods in 2010.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected financial information of the Company for the quarters indicated.

Unaudited (000's, except per share amounts)	Q3 2009*	Q4 2009*	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Revenue	$954	$759	$592	$1,283	$1,273	$1,058	$1,090	$2,100
Expenses								
Cost of Sales	103	167	169	237	146	67	45	59
Labour Costs	2,495	2,162	2,099	1,482	1,187	1,231	1,143	1,059
Other Operating Costs	719	652	653	662	549	497	545	555
Impairment of intangible asset	-	-	-	1,107	-	-	-	-
	3,317	2,981	2,921	3,488	1,882	1,795	1,733	1,673
EBITDA	(2,363)	(2,222)	(2,329)	(2,205)	(609)	(737)	(643)	427
Other income/(expense)								
Amortization	(310)	(525)	(443)	(437)	(310)	(281)	(261)	(238)
Interest income (expense)	(103)	(183)	(302)	(313)	(405)	(591)	(798)	(732)
Gain on settlement of debt						447	-	-
Other Income (expense)	(28)	(3)	36	(64)	27	(52)	(3)	(12)
Income tax (expense)		(280)	4	-	-	-	8	249
Net loss for the period	(2,804)	(3,213)	(3,034)	(3,019)	(1,297)	(1,214)	(1,697)	(306)
Basic and diluted loss per share	$(0.03)	$(0.04)	$(0.04)	$(0.04)	$(0.01)	$(0.01)	$(0.02)	$(0.00)

* Amounts prior to January 1, 2010 are reported using Canadian GAAP.

FINANCIAL CONDITION

The following table sets out selected information concerning the Company's financial position as at the dates indicated.

Selected data on financial position in 000's	June 30, 2011	December 31, 2010	January 1, 2010
Cash and cash equivalents	$ 1,829	$ 380	$ 3,447
Working capital	$ (2,967)	$ (4,579)	$ (322)
Total assets	$ 8,037	$ 7,870	$ 13,767
Total long-term liabilities	$ 9,260	$ 7,793	$ 7,418
Total liabilities	$ 15,092	$ 14,577	$ 13,160
Shareholders' equity	$ (7,055)	$ (6,707)	$ 607

Cash and Cash Equivalents

At June 30, 2011, the Company's cash and cash equivalents amounted to approximately $1.8 million compared with $0.4 million at December 31, 2010. The $1.4 million increase was primarily due to the $3.3 million of cash generated from financing activities during Q1 2011 offset by $1.9 million of cash used to fund operations in during the six months ended June 30, 2011. On March 2, 2011, the Company completed a $5.0 million convertible debenture financing. $1.5 million of the net proceeds was used to repay debentures distributed by the Company in November 2010.

Assets

CG's total asset base as at June 30, 2011 was $8.0 million, up slightly from $7.9 million at December 31, 2010. The $0.1 million increase was principally the result of the additional net cash from the March 2, 2011 financing transaction offset by continuing operating losses. Long-term assets, consisting primarily of capital assets, goodwill, and intangibles, decreased from $5.7 million at December 31, 2010 to $5.2 million as at June 30, 2011. The decrease was primarily the result of $0.5 million of amortization. Current assets as at June 30, 2011, consisting primarily of cash and accounts receivables, increased $0.7 million as compared to December 31, 2010.

Working Capital

Working capital represents the Company's current assets less its current liabilities. At June 30, 2011, the Company had a working capital deficit of $3.0 million compared to a working capital deficit of $4.6 million at December 31, 2010. The $1.7 million decrease in the Company's deficit is primarily due to the increase in cash and cash equivalents as noted above. At June 30, 2011, the Company's accounts receivable totaled $0.9 million. During Q2 2011 the Company settled an action commenced against the Yellow Pages Group of Canada Co. ("YPG") as a result of which the balance owing to the Company by YPG at March 31, 2011 ($0.9 million) was paid in full.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that Company will not be able to meet its financial obligations as they fall due. The reported financial position of the Company presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses totaling $68.1 million since the Company commenced operations in 2000. As of June 30, 2011, the Company had a working capital deficit of $3.0 million and a cash balance of $1.8 million.

The Company's future operations remain dependent upon its ability to: 1) raise additional funds: 2) realize transaction revenues from existing customer relationships: or 3) secure new customer relationships that provide the Company with adequate funds to cover expenditures projected for the balance of 2011 (or a combination of the foregoing). If the Company does not generate sufficient funds from existing or new customer relationships and is unable to raise additional financing, the Company will have to consider strategic alternatives, which may include, among other things, exploring the monetization of certain intangible assets, modification of planned operating expenditures, or the sale of the Company.

OUTSTANDING SHARE DATA

CG's outstanding share capital consists of common shares. The Company is authorized to issue an unlimited number of common shares. At June 30, 2011, 90,173,575 common shares were outstanding compared to 88,232,247 common shares outstanding at December 31, 2010. The increase was due to the issuance, during Q1 2011, of 8,853 common shares under the Company's employee share purchase plan, the issuance of 150,000 common shares in connection with the debenture financing completed in March 2011, the exercise of 1,040,000 share purchase warrants, the exercise of 328,334 stock options and the issuance of 414,141 common shares (at an average price of $0.1448 per share), in satisfaction of 3 months of rent payments totaling $0.06 million.

As at June 30, 2011, the Company had 12,758,750 (12,228,750 at December 31, 2010) stock options outstanding with a weighted average exercise price of $0.11 and 7,478,523 (8,750,123 at December 31, 2010) share purchase warrants outstanding with an average exercise price of $0.182 ($0.185 at December 31, 2010). Under the convertible debentures distributed by the Company, holders are entitled to convert the outstanding principal amount of their debentures and accrued interest into common shares at a conversion price of ranging from $0.50 to $0.10 per share, subject to anti-dilution adjustments. If the aggregate principal amount of the debentures distributed in 2009 were to be fully converted, at the $0.50 conversion price, an additional 12,930,000 common shares would be issued. If the aggregate principal amount of the debentures distributed in 2010 were to be fully converted, at the $0.10 conversion price, an additional 16,250,000 common shares would be issued. If the aggregate principal amount of the debentures distributed in 2011 were to be fully converted, at the $0.25 conversion price, an additional 20,000,000 common shares would be issued. In addition, if the broker warrants distributed in connection with the convertible debenture financing concluded in 2009 and 2010 were fully exercised, an additional 1,870,200 common shares would be issued and outstanding. Accordingly, the number of issued and issuable shares on a fully diluted basis was 161,461,048 at June 30, 2011 compared to 140,261,310 at December 31, 2010. Further information on CG's outstanding share capital is provided in Note 8 to the Company's condensed interim consolidated financial statements for the six months ended June 30, 2011.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The following table sets out certain information concerning Call Genie's contractual obligations, including payments due for each of the next three years and thereafter.

Contractual Obligations	Payments Due by Period in 000's				
	Total	2011	2012	2013	After 3 years
Long Term Debt	$ 11,500	-	$ 6,500	-	$ 5,000
Interest on Debt Instruments	$ 3,953	$ 899	$ 1,554	$ 600	$ 900
Operating Leases	$ 1,240	$ 387	$ 653	$ 200	-
Other Short Term Obligations	$ 2,765	$ -	$ 2,765	-	-
Total Contractual Obligations	$ 19,458	$ 1,286	$ 11,472	$ 800	$ 5,900

The Company did not have any "off-balance sheet" arrangements as of June 30, 2011. The Company did not have any commitments for capital expenditures as of June 30, 2011 nor any financing sources arranged but not yet used.

RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2011, the Company recorded $0.1 million ($0.2 million for the same period in 2010) of general and administrative expenses for transactions with companies controlled or influenced by Call Genie's officers or directors, which transactions were entered into in the normal course of operations. During the six months ended June 30, 2011, these directors and officers received $0.09 million of interest in accordance with the terms of the debentures previously distributed to them. In addition, the debentures issued in August 2010 are secured, in part, by a security interest in assets made available by the Chairman of the board of directors of the Company.

OUTLOOK

In June 2011, the Company announced that a major U.S. based yellow pages provider initiated the renegotiation of its contractual relationship with the Company. In connection with this renegotiation, the Company is planning to introduce its SaaS platform in the third quarter of 2011. Under this initiative, the Company expects to integrate many of its existing customer relationships with its own hosted platform to provide a comprehensive advertising network to various sources of call based and web based consumer traffic. The amount of revenues generated from this platform will depend, to a significant degree, on the Company's ability to source relevant ads, such that consumers act in a manner that generates a measurable sale lead to a merchant. The Company expects that, under such arrangements, it will be paid based on the number and type of leads generated. Due to the nature of performance based revenues, variability of potential results, and the uncertainty of consumer adoption, the Company is not providing any financial guidance for future periods at this time. There can be no assurance that the terms of any new arrangements under the SaaS platform will be as favorable as the terms of prior arrangements or will result in similar levels of revenues for the Company.

BUSINESS RISKS AND UNCERTAINTIES

The business of CG is subject to numerous risk factors, including those more particularly described below. An investment in and ownership of CG common shares should be considered highly speculative due to the nature of CG's business, its current stage of development and the potential requirement for additional financing.

No Record of Profit

CG has incurred significant losses to date, and there can be no assurance that the future business activities of CG will be profitable. Since its organization, CG has incurred costs to develop and enhance its technology, to establish strategic relationships, to acquire complementary technologies and to build administrative support systems. CG has incurred negative operational cash flow to date. CG incurred losses from operations of $2.0 million for the six months ended June 30, 2011, $8.5 million for the year ended December 31, 2010, $12.4 million for the year ended December 31, 2009, $20.5 million for the year ended December 31, 2008, $12.6 million for the year ended December 31, 2007, and $6.5 million for the year ended December 31, 2006. CG's ability to operate profitably and generate positive cash-flow in the future will be affected by a variety of factors (including its ability to further develop and test its technology on schedule and on budget, the pace at which it secures additional customers, the time and expense required for the roll-out of its products, its success in marketing its services to consumers and merchants, the intensity of the competition experienced by CG and the availability of additional capital to pursue its business plan, including development of new services). An inability to generate sufficient funds from operations will have a materially adverse affect on CG's business, results of operations and financial condition.

Economic Dependence on SaaS Business Model

Revenues for the balance of 2011 and for a time thereafter will depend, to a significant degree, on the Company's ability to generate revenues from its SaaS platform. There can be no assurance that the terms of any arrangements entered into with existing or new customers will be as favorable to the Company as the terms of previous arrangements or alternative business models. Any disruption to the SaaS platform or its integrated service providers may have a material adverse effect on CG's business, results of operations and financial condition.

Substantial Capital Requirements; Liquidity

Because of the costs associated with further development of CG's technology and business, and the fact that CG's ability to generate revenue will depend on a variety of factors (including the ability of CG to meet its development schedule and consumer and merchant acceptance of CG technologies), additional funds may be required to advance and expand CG's business. Additional funds (whether through additional equity financing, debt financing or other sources) may not be available (at all or on terms acceptable to CG) or may result in significant dilution to CG shareholders. The inability to obtain additional funds may have a material adverse affect on CG's business, results of operations, and financial condition.

Developing Market

Call Genie's services and technologies are relatively new and, as such, the primary market for CG's software and services is underdeveloped and continues to evolve. As is typical in the case of a new evolving industry segment, the demand for the Company's services is subject to a high level of uncertainty. If the markets for the CG technology fail to develop, develop more slowly than expected or become saturated with competitors, or if the CG technology does not achieve and maintain market acceptance, CG's business, results of operations and financial condition will be materially adversely affected.

Current Enterprise Value assigned by the Market; Liquidity

The actions of all stakeholders in the business may be adversely affected by the current market capitalization of the Company. These stakeholders include customers, potential customers, competitors, channel delivery partners, technology partners, and current or prospective employees. These stakeholders may ascribe a higher business risk to the Company due to its relatively low market capitalization, and any perception of higher risks may have a material adverse effect on Call Genie's business, results and financial condition.

Third Party Technology

In providing the CG service and technology, CG is, and will continue to be, dependent on technologies and infrastructure that are beyond CG's control, including landline and cellular telephone networks, directory databases and speech recognition and text-to-speech applications. There can be no assurance that if weaknesses or errors in third party software or hardware are detected, CG will be able to correct or compensate for such weaknesses or errors. If CG is unable to address weaknesses or errors and the CG technology is therefore unable to meet consumer or merchant needs or expectations, CG's business, results of operations and financial condition will be materially adversely affected. In addition, there can be no assurance that the Company will continue to have access to required third-party technology on terms acceptable to Call Genie. If CG is unable to obtain third party technology on acceptable terms, CG's business, results of operations and financial condition will be materially adversely affected.

Rapid Technological Change

The technology industry is subject to rapid change, and the inability of CG to adapt to such change may have an adverse affect on CG's business, results of operations and financial condition. The effect of new developments and technological changes on the business sector in which CG is active cannot be predicted. Such developments would include, but are not limited to, failure of the speech recognition industry to provide ongoing improvements in speech recognition and text-to-speech engines, a slow down in the deployed base of voice platforms in the North American market place, to such an extent as to create financial uncertainty for the speech technology providers, an unexpected trend in the voice industry away from open standards programming languages towards unique proprietary application development and consumer backlash against the ongoing proliferation of voice technologies. CG's failure to adapt to any of the above could have a material adverse effect on CG's business, results of operations and financial condition.

Competition

CG is subject to competition from other organizations (many of which have substantially greater human and financial resources) and there can be no assurance that CG will be able to compete effectively in its target markets. Technologies exist that are competitive with the Company's product suite. Certain organizations with substantially greater financial and human resources than the Company have active research and development initiatives involving the development and implementation of voice search capabilities, workstation applications and advertising network arrangements. The inability of CG to secure additional customers due to competitive technologies will have a material adverse effect on CG's business, results of operations and financial condition.

In addition, advances in communications technology as well as changes in the marketplace and the regulatory and legislative environment are constantly occurring and any such change could have a material adverse effect on CG.

Need for Research and Development

To achieve its business objectives and obtain market share and profitability, CG will need to continually research, develop and refine the CG technology. Many factors may limit CG's ability to develop and refine the required technologies or to create or acquire or negotiate access to new technologies. CG may also be exposed to marketplace resistance to new technology and services. Any failure of CG to develop or refine the CG technology, or create or acquire new technologies or offer new services could have a material adverse effect on CG's business, results of operations and financial condition.

Defects and Liability

The hardware and software relied upon by the Company to deliver its services and technology is complex and sophisticated and may contain design defects or software errors that are difficult to detect and correct. There can be no assurance that the CG technology will be free from errors or defects, or, if discovered, that CG will be able to successfully correct such errors in a timely manner or at all. Errors or failures in the technology could result in loss of or delay in market acceptance of the CG technology and correcting such errors and failures could require significant expenditures. Because of the limited number of directory service providers and yellow pages providers, the reputational harm resulting from errors and failures could be very damaging to CG. The consequences of such errors and failures could have a material adverse effect on CG's businesses, results of operations and financial condition.

Patents and Other Intellectual Property

While CG has applied for patents for certain elements of the CG technology, there can be no assurance that such applications will result in the granting of patent protection. Competitors may have filed patent applications or hold issued patents relating to services or processes competitive with those that CG has developed or is developing. Any patents covering elements of the CG technology granted to third parties (or the inability of CG to successfully challenge such patents) may impair CG's ability to do business in a particular area including in key markets. Others may independently develop similar services or duplicate unpatented elements of the CG technology.

CG's success will be largely dependent upon its ability to protect its proprietary technology. CG relies upon copyrights, trademarks and trade secrets to protect its intellectual property. Where appropriate, CG also enters into non-disclosure agreements with persons to whom it reveals proprietary information. Any failure or inability on the part of CG to protect its intellectual property could have a material adverse effect on CG's business, results of operations and financial condition.

CG may be required to engage in litigation in the future to enforce or protect its intellectual property rights or to defend against claims of invalidity and CG may incur substantial costs as a result. Any claims or litigation initiated by CG to protect its proprietary technology could result in significant expense to CG and diversion of the efforts of CG's technical and management resources, whether or not the claims or litigation are determined in favor of CG.

Ability to Manage Growth; Transition from Research and Development Company to Operating Company

Responding to consumer and merchant demands, expansion into other geographical markets and targeted growth in CG's business has placed, and is likely to continue to place, significant strains on CG's administrative and operational resources and increased demands on its internal systems, procedures and controls. If CG experiences rapid acceptance of its technology solutions, the need to manage such growth will add to the demands on CG's management, resources, systems, procedures and controls. There can be no assurance that CG's administrative infrastructure, systems, procedures and controls will be adequate to support CG's operations or that CG's officers and personnel will be able to manage any significant expansion of operations. If CG is unable to manage growth effectively, CG's business, operating results and financial condition will be materially adversely affected.

Personnel Resources

CG is (and will continue to be) reliant upon its management and technical personnel to anticipate and address consumer and merchant demands in the areas of software development, customer service, marketing, finance, strategic planning and management. There can be no assurance that qualified management or technical personnel will be available to CG in the future. The success of the operations and activities of CG will depend to a significant extent on the efforts and abilities of its management and technical personnel. The loss of services of any of its management or technical personnel could have a material adverse effect on CG's business, results of operations and financial condition.

Potential Fluctuations in Quarterly Operating Results

CG expects to be exposed to significant fluctuations in quarterly operating results caused by many factors, including changes in the demand for the CG technology, the introduction of competing technologies, market acceptance of such enhancements or services, delays in the introduction of such enhancements or services, changes in CG's pricing policies or those of its competitors, the mix of services sold, foreign currency exchange rates and general economic conditions.

Risk of Industry Consolidation

CG's business customers may be classified as yellow pages providers, directory assistance providers and telecommunication service providers. Each of these industries is characterized by a relatively small number of large providers. Industry consolidation is ongoing in this group of providers. As a result, CG may have established working relationships with one provider undermined by a business combination with another provider. This could have a material adverse effect on CG's business, results of operations and financial conditions.

Government Regulation

The directory services business is largely unregulated at this time (apart from federal, provincial, state and local laws and regulations applicable to businesses in general and respecting the gathering and use of personal information). However, there can be no assurance that this business will not become subject to significant regulatory intervention in the future.

Costs Associated with Compliance with Securities Laws

CG is a publicly traded company and is subject to all of the obligations imposed on "reporting issuers" under applicable securities laws and all of the obligations applicable to a listed company under stock exchange rules. Direct and indirect costs associated with public company status have escalated in recent years and regulatory initiatives under consideration may further increase the costs of being public in Canada and could have a material adverse effect on CG's business, results of operations and financial condition. If CG is unable to generate significant revenues from business operations, the cost of complying with applicable regulatory requirements will represent a significant financial burden to CG and may have a material adverse effect on CG's business, results of operations and financial condition.

Risk of Changes to the Company's Accounting Policies

Changes to the Company's accounting policies, including the implementation of IFRS, may result in significant adjustments to its financial results, which could negatively affect the

Company's business, and may increase the risk of breaching covenants contained in agreements to which the Company is a party.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's condensed interim consolidated financial statements for the second quarter of 2011 were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), under International Account Standard ("IAS") 34 – Interim Financial Reporting. Please refer to Note 2 of the Company's second quarter 2011 condensed interim financial statements for information concerning the Company's adoption of IFRS and a detailed discussion regarding our significant accounting policies, application of critical estimates and judgements and recent accounting pronouncements.

In addition, Note 15 of the Company's second quarter 2011 condensed interim financial statements provides further detail on the changeover to IFRS and the resulting effects on the Company's 2010 financial statements. The only change resulting from the transition to IFRS that affected the 2010 financial statements relates to the functional currency used with respect to the Company's subsidiary in Denmark. IFRS requires that the functional currency of each entity be determined separately. The Company has determined that as at the January 1, 2010 (the "Transition Date") the Canadian dollar was the functional currency of all entities. As a result, all foreign exchange translation differences as of the Transition Date are recorded through operations. Under Canadian GAAP, the Company's subsidiary in Denmark was defined as a self-sustaining foreign operation and cumulative foreign exchange translation differences arising on consolidation were recorded in a separate component of equity. In accordance with IFRS 1, optional exemptions, the Company elected to transfer these cumulative foreign exchange translation differences to deficit at the Transition Date. The amount of the adjustment was less than $0.1 million.

CONTROLS AND PROCEDURES

As required by National 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 and annual filings (as defined by NI 52-109), which have been filed with certain securities regulators in Canada.

Evaluation of Disclosure Controls and Procedures

Under NI 52-109, the Chief Executive Officer and the Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to provide reasonable assurance that: 1) material information relating to the Company is made known to them by others, particularly during the period in which interim filings are being prepared; and 2) information required to be disclosed by the Company in its filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Chief Executive Officer and the Chief Financial Officer of the Company are satisfied with the effectiveness of the Company's disclosure controls and procedures and have not identified any material weaknesses relating to the design of its disclosure controls and procedures.

Management's Report on Internal Control over Financial Reporting

As part of the NI 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 IFRS. The Chief Executive Officer and the Chief Financial Officer are satisfied with the effectiveness of the Company's internal controls over financial reporting and have not identified any material weaknesses relating to the design of such internal controls. Consistent with the Company's stage of development, the Company continues to rely on risk mitigating procedures during its financial close processes in order to provide comfort that the financial statements are presented fairly in accordance with IFRS.

While the Chief Executive Officer and the Chief Financial Officer are satisfied with the effectiveness of the Company's internal controls over financial reporting, additional improvements could be undertaken to address: 1) further segregation of accounting duties; 2) further investment in technical accounting knowledge with respect to non-routine transactions and projects; and 3) further investment in accounting systems software.

In particular, the Company records complex and non-routine transactions. These transactions can be extremely technical in nature and require an in-depth understanding of IFRS. To address this risk, the Company consults with third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, an annual audit is completed by the Company’s auditors, and presented to the Audit Committee for its review and approval. At this time, the Company is not considering any expansion of the technical expertise within its accounting function and will continue to work closely with its third party advisors.

The Company continues to direct available resources to assessing and improving the overall control environment and governance processes within the Company, but has not made any additional material changes to its system of internal controls over financial reporting.

Changes in Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer have determined that there were no changes in the Company's ICFR that occurred during the quarter ended June 30, 2011 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 various 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.