

NSTEIN TECHNOLOGIES INC.



MANAGEMENT PROXY CIRCULAR

Except as otherwise indicated, the information contained herein is given as of March 15, 2005, and all dollar amounts set forth herein are expressed in Canadian dollars.

SOLICITATION OF PROXIES

This management proxy circular (the “Circular”) is sent in connection with the solicitation by the management of Nstein Technologies Inc. (the “Company”) of proxies to be used at the Annual General and Special Meeting of Shareholders of the Company (the “Meeting”) to be held on May 9, 2005, at the time, place and for the purposes set forth in the enclosed Notice of Annual General Meeting (the “Notice of Meeting”) and at any adjournment thereof.

The solicitation is being made primarily by mail, but proxies may also be solicited by telephone, fax or other personal contact by officers or other employees of the Company. The entire cost of the solicitation will be borne by the Company.

APPOINTMENT OF PROXIES

The persons named as proxyholders in the enclosed form of proxy are directors and officers of the Company. **A shareholder is entitled to appoint any other person, who need not be a shareholder, to represent him or her at the Meeting.** In order to appoint such other person, the shareholder must strike out the names printed on the form of proxy and insert such other person’s name in the blank space provided thereon or duly complete another form of proxy. In all cases, the completed form of proxy shall be delivered to the transfer agent and registrar of the Company, CIBC Mellon Trust Company (“**CIBC Mellon**”), 2001 University Street, Suite 1600, Montreal, Quebec, Canada H3A 2A6, not later than 5:00 P.M. on the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used.

REVOCAION OF PROXIES

A shareholder who executes and returns the accompanying form of proxy may revoke the same (a) by instrument in writing executed by the shareholder, or by his attorney authorized in writing, and deposited either (i) at the place of business of the Company, to the attention of the Corporate Secretary of the Company, 75 Queen Street, Suite 4400, Montreal, Quebec, Canada H3C 2N6, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used or (ii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof or (b) in any other manner permitted by law. If the shareholder is a corporation, any such instrument of revocation shall be executed by a duly authorized officer or attorney thereof.

INSTRUCTIONS TO BENEFICIAL OWNERS

An appreciable number of shareholders, designated “**beneficial owners**”, own shares of the Company through a representative such as a transfer agent, a securities broker or a financial institution (“**Representative**”) rather than in their own name. Beneficial owners must take note that only proxies of holders of record of Shares of the Company may be admitted and exercised at the Meeting. Unless he or she has waived his or her right to receive the material pertaining to the Meeting, the beneficial owner will receive by mail from its Representative (or an intermediary such as ADP Investor Communications) this Circular together with the proxy form or a request for voting instructions. Beneficial owners who received this Management Proxy Circular in a mailing from their

Representative must adhere to the voting instructions provided to them by their Representative. Beneficial owners must carefully follow the instructions received from their Representative to ensure their voting shares are voted. If no instructions are given, the shares will not be voted. Beneficial owners must seek instructions from their Representative as to how to complete their form of proxy or voting instruction form if they wish to vote their shares themselves. CIBC Mellon may not have a complete record of the names of the Company's beneficial owners (as the Representatives are registered for them); CIBC Mellon may not have knowledge of a Beneficial owner's right to vote, unless the Representative has appointed the Beneficial owner as proxyholder. Beneficial owners who wish to vote in person (or delegate someone for them) at the Meeting must strike out the names of the persons written on the proxy form and insert their own name (or the name of the person of their choice) in the space provided on the form of proxy or voting instruction form, and adhere to the signing and return instructions provided by their Representative. By doing so, beneficial owners are instructing their Representative to appoint them (or the person of their choice) as proxyholder.

VOTE AT THE MEETING

The persons named in the enclosed form of proxy will, on a show of hands or on any ballot that may be called for, vote the shares in respect of which they are appointed as proxies in accordance with the instructions of the shareholders appointing them. **If no instructions are given, the persons named in the form of proxy will vote (i) FOR the election of management's nominees as directors; (ii) FOR the appointment of PriceWaterhouseCoopers LLP as auditors; and (iii) FOR the adoption of the resolution approving the amendments to the Company's stock option plan.**

EXERCISE OF DISCRETION BY PROXIES

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other business which may properly come before the Meeting or any adjournment thereof. As of the date hereof, management of the Company knows of no such amendment, variation or other business to come before the Meeting. If any such amendment, variation or other business properly comes before the Meeting or any adjournment thereof, the persons named in the enclosed form of proxy will vote on such matters in accordance with their best judgment.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The share capital of the Company is constituted of an unlimited number of common shares without par value. As at the date hereof, there were 186,422,292 common shares of the Company issued and outstanding (the "Shares"). Each Share confers on the holder thereof one (1) vote on a ballot. Only holders of record of Shares of the Company at the close of business on April 8, 2005 (the "Record Date"), will be entitled to receive the accompanying Notice of Meeting. They will also have the right to vote at the Meeting and at any adjournment thereof if they are present or represented by proxy.

To the knowledge of the directors and officers of the Company as at the date hereof, the only persons exercising control or direction over more than 10% of the voting securities were the following:

| Name | Number of Shares | Percentage of Shares |
|--|------------------|----------------------|
| Gespro Technologies Inc. ⁽¹⁾ | 24,239,480 | 13.00% |
| Fonds de solidarité des travailleurs du Québec (F.T.Q.) ⁽²⁾ | 48,571,429 | 26.05% |
| Mario Girard ⁽³⁾ | 8,996,719 | 4.83% |

(1) Directly or through Gestion G6 Inc., its fully owned subsidiary. The controlling shareholder of Gespro Technologies Inc. is 2973-7970 Québec Inc., which in turn is controlled by Mario Girard and Bernard Verreault.

(2) The Fonds de solidarité des travailleurs du Québec (F.T.Q.) also owns 21.76% of the voting shares of Gespro Technologies Inc., the significant shareholder mentioned above.

(3) To the knowledge of the directors and officers of the Company, 8,407,999 Shares of the Company held by Les Consultants Net Création inc. ("Net Creation") are governed by agreements entered into between Net Creation, certain officers of the Company and a trust. According to such agreements, the voting rights attached to these Shares as well as the voting rights attached to the 323,441 Shares held by that trust are exercised by Mario Girard. In addition, Mario Girard holds 265,279 Shares directly.

BUSINESS AT THE MEETING

1. Presentation of Financial Statements

The Management's report, the consolidated financial statements and the auditors' report thereon, for the year ended December 31, 2004, included in the Company's 2004 annual report which is being mailed to the shareholders with the Notice of Meeting and this Circular, will be submitted to the shareholders at the Meeting, but no vote with respect thereto is required nor will be taken.

2. Election of Directors

The articles of the Company provide that the Board of Directors of the Company (the "Board") is to consist of not less than one (1) and not more than fifteen (15) directors, the exact number being determined from time to time by the directors of the Company. The Board of Directors has fixed the number of directors at six (6) for the next year. The management of the Company recommends that the Board be composed of the persons presented at item "NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS" at page 4 of this Circular. **If no contrary instructions are given, the persons named in the enclosed proxy form will vote FOR the election of the nominees.**

The directors are elected annually by the shareholders and they remain in office until the following annual shareholders' meeting, unless he or she resigns or his or her office becomes vacant as a result of death, removal or any other cause. **The management of the Company does not anticipate that any of the nominees will be unable or for any reason unwilling to serve as a director, but if such a case were to arise for any reason prior to the election, the persons named in the enclosed proxy form reserve the right to vote for another nominee of their choice, unless the shareholder indicates in the proxy form that the shares should be withheld from voting on the election of directors.**

3. Appointment of Auditors

PriceWaterhouseCoopers LLP, Chartered Accountants, have served as auditors of the Company since June 13, 2000. **If no contrary instructions are given, the persons named in the enclosed form of proxy intend to vote FOR the reappointment of PriceWaterhouseCoopers LLP as auditors of the Company, to hold office until the close of the next annual meeting of shareholders at such remuneration as may be fixed by the directors.**

4. Approval of the Amended Stock Option Plan

The Company's current Stock Option Plan was passed June 13, 2000, which is further set forth at item "**Current Stock Option Plan**" on page 7 of this Circular. On March 2, 2005, the Board adopted some amendments to the Stock Option Plan. Such amendments consist notably in coordinating the provisions of the Stock Option Plan with Policy 4.4 of the Corporate Finance Manual of TSX Venture Exchange, reducing the maximum term of an option from ten to seven years, and increasing the number of shares reserved under the Stock Option Plan. Such increase would bring the number of shares affected by the Stock Option Plan from its current stage of 10,800,000 (less than 6% of all issued and outstanding Shares to this date) to 18,640,000 (less than 10% of all issued and outstanding Shares to this date).

At the Meeting, shareholders will be asked to consider and, if deemed advisable, pass the following resolution, which approves the amendments to the Company's Stock Option Plan, attached hereto as Appendix 1:

"RESOLVED THAT the amended stock option plan, which is reproduced at Appendix 1 of the Management Proxy Circular dated March 15, 2005, be, and it is hereby approved."

If no contrary instructions are given, the persons named in the enclosed form of proxy intend to vote FOR the adoption of the resolution approving the amendments to the Stock Option Plan.

5. Other Matters

The management of the Company presently knows of no matters to come before the Meeting other than those identified in the Notice. If any matters which are not known should properly come before the Meeting, the form of proxy confers discretionary authority on the proxyholders who will vote on such matters according to their best judgement.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

The following table presents the nominees to the Board for the period starting May 9, 2005. Current directors were appointed by the shareholders on May 4, 2004, with the exception of Yves Bellemare, representative of the Fonds de solidarité des travailleurs du Québec (F.T.Q.) (hereinafter referred to as the “FSTQ”), who was appointed September 9, 2004 in replacement of Robert Barakett, also from FSTQ, who resigned that same day. In accordance with a subscription agreement between the Company and FSTQ dated March 5, 2002, the latter has the power to appoint two (2) representatives to the Company’s Board.

| Name and Municipality of Residence | Director Since | Principal Occupation | Property ⁽¹⁾ | | |
|---|-------------------|--|--|-------------------------|------------------------|
| | | | Number of Shares ⁽²⁾ (Percentage) | Number of Stock Options | DSU ⁽³⁾ |
| BELLEMARE, Yves ^{(4) (5) (6)} Montreal, Quebec | September 9, 2004 | Portfolio Director Fonds de Solidarité des travailleurs du Québec (F.T.Q.) | — — | — | 103,294 ⁽⁷⁾ |
| BUSCH, Rainer Geneva, Switzerland | — | Managing Partner Mercury Partners | 10,592,593 ⁽⁸⁾ (5.68%) | — | — |
| DROUIN, Richard ^{(4) (5) (6)} Sillery, Quebec | June 13, 2000 | Director of several corporations | 358,203 ⁽⁹⁾ (0.19%) | 219,000 | 124,474 |
| DUCROS, Pierre ^{(4) (5) (6)} Outremont, Quebec | December 14, 2001 | President P. Ducros & Associates Inc. | 188,117 ⁽¹⁰⁾ (0.10%) | 184,500 | 127,252 |
| DUTIL, Marc ^{(4) (5) (6)} Saint-Georges, Quebec | June 13, 2000 | President and Chief Operating Officer, The Canam Group Inc. | 9,590 (0.005%) | 239,000 | 127,252 |
| GIRARD, Mario Saint-Nicolas, Quebec | June 13, 2000 | Chairman of the Board and Chief Executive Officer, Nstein Technologies Inc. | 33,236,199 ⁽¹¹⁾ (17.83%) | 3,415,806 | — |

- (1) The nominees have personally provided the information relating to the shares of the share capital of the Company over which they exercise control or direction.
- (2) Number and percentage of Shares over which control or direction is exercised.
- (3) Number of deferred shares units (“DSU”) awarded under the deferred shares units plan, which is detailed at page 6 of this Circular under item “DIRECTORS’ COMPENSATION”.
- (4) Current member of the Audit Committee.
- (5) Current member of the Human Resources Committee.
- (6) Current member of the Corporate Governance and Nominations Committee.
- (7) This number of deferred shares unit (“DSU”) represents the total compensation paid directly to FSTQ for the services of Robert Barakett and Yves Bellemare since March 5, 2002.
- (8) Shares held by Keystone Private Equity Investments Limited, an investment fund of which Mercury Partners, a corporation controlled by Rainer Busch, owns 50% of the voting shares.
- (9) Of these Shares of the Company, 150,823 are held by Ulric Inc., a corporation controlled by Richard Drouin.
- (10) Shares of the Company held by P. Ducros & Associates Inc., a company controlled by Pierre Ducros.
- (11) Of these Shares of the Company, 24,239,480 are held by Gespro Technologies Inc., a company controlled directly or indirectly by Messrs. Mario Girard and Bernard Verreault, such control or direction being jointly exercised over the same common shares. In addition, Mario Girard directly holds 265,279 Shares of the Company and exercises control or direction over 8,731,440 other Shares of the Company.

Nominees' biographies

Yves Bellemare

Yves Bellemare is a Portfolio Director – IT and Telecommunications sectors with the Fonds de solidarité FTQ (a Venture Capital Fund of \$5.5B CA). At the Fonds for the past six years, Yves has over 17 years of experience in the field of IT and telecommunications. As a manager at the Bell Innovation Centre, he helped launch and market a number of products and services. He subsequently moved to MetroNet (now Allstream) where his work as marketing director of the Eastern Canada sales team earned him the title of best employee in Eastern Canada. He is a member of the Board for the following corporations: Versatel Networks, Provance Technologies Inc. and Above Security Inc.

Rainer Busch

Rainer Busch is the founder and managing partner of Mercury Partners, a Swiss-based private equity investment firm. He was the partner responsible for European private equity investing (Buyout) with Fay Richwhite. He was a partner with Value Management Group (venture capital). He was a manager with McKinsey & Co. (strategic consulting) in Europe and the US. He began his career leading R&D projects and he is the author of three patents.

Richard Drouin

Richard Drouin is Chairman of the Board of Abitibi Consolidated (pulp and paper) and Stelco (metallurgy). He is also Chairman of the Board of the North American Electric Reliability Council (NERC) (energy). He is a former Chairman and Chief Executive Officer of Hydro-Québec (energy) (1988 to 1995). Richard Drouin is also a director of American Superconductor Corporation (Boston) (energy). He is a Fellow of the Royal Canadian Geographical Society and Chairman of the Board of Trustees of Université Laval. Mr. Drouin is an Officer of the Order of Canada and Honorary Consul of Great Britain in Quebec.

Pierre Ducros

President of P. Ducros & Associates Inc., Pierre Ducros co-founded DMR Group (information technology services) in 1973. He was Chairman of the Board and Chief Executive Officer of that company from 1973 to 1996. He was a member of the Policy Committee of the Canadian Council on National Issues, Director of the Conference Board of Canada and Chairman of the Board of the Information Technology Association of Canada. He is a member of the board of the following corporations: Emergis Inc. (ecommerce), ManuLife Financial (financial services), Cognos Incorporated (software) and eNGENUITY Technologies Inc. (software). Pierre Ducros is also a Member of the Order of Canada and an Officer of the Ordre de la Couronne of Belgium.

Marc Dutil

Marc Dutil joined Canam Group Inc. (construction) in 1989. He held various positions at the head office of Canam Steel Works, Inc. before being named General Manager of Steel Plus Network®. In 2002, Mr. Dutil was named Executive Vice President of Canam Group Inc. In 2003, he was appointed President and Chief Operating Officer. He is also a member of the Board of Directors of Canam Group Inc.

Mario Girard

Mario Girard, Chairman and Chief Executive Officer of Nstein Technologies Inc., was previously the Chairman and Chief Executive Officer of Gespro Technologie Inc. (information technology services), which he founded in 1985. Mario Girard played a major role in raising public and private investments worth over \$20 million. He oversaw several corporate acquisitions and managed their successful integration. Gespro became one of the most important technology companies in Quebec and was then sold to Telus Corporation in 2000. Mario Girard is a member of the Young Presidents' Organization and received the 1996 Arista-Sun Life Young Quebec Entrepreneur award. He is Vice President of La Fondation Toujours Ensemble and a member of the Board of Directors of Amadeus International Inc. (software).

DIRECTORS' COMPENSATION

The directors of the Company may be granted options under the Company's Stock Option Plan. For the fiscal year ended December 31, 2004, the Company has granted no stock options to the directors.

For their appointment commencing May 9, 2004 and terminating May 9, 2005, outside directors (i.e. directors who are not part of the Company's management) have received the following compensation for their services as directors:

| Type of Compensation | Total Amount of Compensation (\$) |
|---------------------------------------|-----------------------------------|
| Annual Board Retainer | 6,000 |
| Annual Committee Chairperson Retainer | 4,000 |
| Board Attendance Fees | 1,000 |
| Committee Attendance Fees | 500 |

The Company has implemented a DSU Plan, which was adopted on August 15, 2003, to increase the alignment of directors' and shareholders' interests, outside directors are compensated in the form of deferred share units ("DSU") under the Deferred Share Units Plan ("DSU Plan") described below so long as the minimum of one million shares or DSU per outside director has not been reached. Once the minimum has been reached, outside directors may elect to receive 50% of their annual retainer and attendance fees in the form of DSU and 50% in cash or 100% in cash or 100% in the form of DSU.

Under the DSU Plan, a number of share units equal to the number of shares that could be purchased on the market for a dollar amount equal to the relevant quarterly compensation payable in the form of share units is credited to the account maintained by the Company for each eligible director. Units are payable only when a director ceases to be a member of the Board. Units must be paid prior to December 15th of the year following the calendar year during which the director ceased to be a member of the Board. The value of a unit, when converted to cash, will be equivalent to the value of a Share at the time the conversion takes place.

During fiscal year 2004, all outside directors were members of every committee of the Board. The Board has met seven (7) times, the Human resources Committee and Audit Committee have held four (4) meetings each and the Corporate Governance and Nominations Committee has held two (2) meetings, so that all outside directors then in office were awarded the following DSU:

| Directors | Number of DSUs Awarded in 2004 |
|---|--------------------------------|
| Robert Barakett / Yves Bellemare ⁽¹⁾ | 63,294 |
| Yves H. Boucher ⁽²⁾ | 8,523 |
| Richard Drouin | 71,141 |
| Pierre Ducros | 73,919 |
| Marc Dutil | 73,919 |
| Jean-Pierre Soublière ⁽²⁾ | 15,530 |

(1) Robert Barakett resigned on September 9, 2004 and was replaced by Yves Bellemare the same day. Messrs Barakett and Bellemare's compensation has been paid to FSTQ pursuant to a FSTQ internal policy.

(2) Yves H. Boucher and Jean-Pierre Soublière have not sought another appointment as directors at the annual meeting held May 4, 2004. For their retirement from the Company's Board, Yves H. Boucher has received from the Company the amount of \$11,711 for the purchase of 38,523 DSU and Jean-Pierre Soublière has received \$13,978 for the purchase of 45,530 DSU, in accordance with the provisions of the Company's DSU plan.

EXECUTIVE COMPENSATION

Summary Compensation Table

The Summary Compensation Table shows certain compensation information for the Chairman of the Board and Chief Executive Officer, the Director of Finance, and the other most highly compensated executive officers of the Company (collectively, the “**Named Executive Officers**”) for services rendered in all capacities during the fiscal years ended December 31, 2002, 2003 and 2004. This information includes base salary, bonuses awarded, the number of stock options granted and all other forms of compensation, whether or not deferred.

| Name and Position Within the Company | Financial Year ended December 31 | Annual Compensation | | | Long-Term Compensation |
|--|----------------------------------|-------------------------------|------------------------------|---|--------------------------------------|
| | | Salary ⁽¹⁾ (\$) | Bonus ⁽²⁾ (\$) | Other Compensation ⁽³⁾ (\$) | Stock Options Granted ⁽⁴⁾ |
| Mario Girard Chairman of the Board and Chief Executive Officer | 2004 | 160,000 | 28,000 | None | 700,000 |
| | 2003 | 160,000 | 20,000 | None | 325,000 |
| | 2002 | 163,333 | None | None | 325,000 |
| Bruno Martel Finance Director | 2004 | 100,000 | 12,250 | None | 200,000 |
| | 2003 | 100,833 | 15,000 | None | 200,000 |
| | 2002 | 91,771 | None | None | 70,000 |
| Laurent Proulx Senior Vice President and Chief Technology Officer | 2004 | 140,000 | 19,600 | None | 400,000 |
| | 2003 | 140,000 | 10,000 | None | 150,000 |
| | 2002 | 142,500 | None | None | 150,000 |
| Denis Lavallée Vice President, Business Development | 2004 | 140,000 USD ⁽⁶⁾ | 19,600 USD ⁽⁸⁾ | None | 150,000 |
| | 2003 ⁽⁵⁾ | 14,449 USD ⁽⁷⁾ | None | None | 1,200,000 |
| | 2002 | — | — | — | — |

- (1) Based on the compensation actually paid during the year to the Named Executive Officers and not on their gross annual salary.
- (2) The bonuses are paid in cash during the year following the year for which they are granted.
- (3) Excluding benefits that do not exceed 10% of cash compensation paid during the year up to a maximum of \$50,000 per person.
- (4) Long-term compensation is limited to stock options.
- (5) Denis Lavallée joined the Company November 23, 2003.
- (6) Corresponds to \$182,000, the average 2004 conversion rate being 1.30.
- (7) Corresponds to \$20,229, the average 2003 conversion rate being 1.40.
- (8) Corresponds to \$25,480, the average 2004 conversion rate being 1.30.

Current Stock Option Plan

The stock option plan for certain directors, employees and service providers of the Company (the “**Stock Option Plan**”) was approved by the shareholders of the Company on June 13, 2000. Its purposes are to encourage productivity among the optionees and thereby promote the Company’s growth and development. The Stock Option Plan provides for the grant of options to directors, employees and service providers of the Company and its subsidiaries. The Stock Option Plan is under the control and direction of the Board. The Human Resources Committee may advise the Board on all aspects of the Stock Option Plan. The Board has complete authority as to the interpretation and application of the Stock Option Plan and the adoption of such rules, conditions and other measures as it deems necessary or expedient for the administration of the Plan. The total number of shares that may be issued under the Stock Option Plan is currently 10,800,000 Shares. No single optionee may be granted options entitling him or her to subscribe to shares of the share capital of the Company representing more than 5% of all of the Shares. Options must be exercised during the period and on the terms set at the time of the grant. The term of the stock options may not exceed 10 years following the date of grant. The exercise price payable for each optioned Share is set by the Board at the date of its grant but may at no time be less than the market value of the Shares at the time the option was granted. Market value is defined as the closing price of the Shares on a recognized stock exchange on the day preceding the date of grant or, if the day preceding the date of grant is not a business day or if the Shares are not traded on that day, the next preceding business day on which the Shares were traded.

As at December 31, 2004, options to purchase 5,795,000 Shares had been granted under the Stock Option Plan and were outstanding, including options for the purchase of 1,450,000 Shares granted to the Named Executive Officers and the directors of the Company.

Options Granted During the Financial Year Ended December 31, 2004

The table below shows information regarding grants of stock options made to the Named Executive Officers under the Company's Stock Option Plan during the financial year ended December 31, 2004.

| Named Executive Officers | Stock Options Granted | Percentage of Total Stock Options Granted to Employees ⁽¹⁾ | Exercise Price (\$/Share) | Market Value of Stock Options Granted on Date of Grant (\$/Share) | Expiration Date |
|---------------------------------|------------------------------|--|----------------------------------|--|------------------------|
| Mario Girard | 700,000 | 15,57% | 0,28 | 0,28 | December 7, 2009 |
| Bruno Martel | 200,000 | 4,45% | 0,28 | 0,28 | December 7, 2009 |
| Laurent Proulx | 400,000 | 8,90% | 0,28 | 0,28 | December 7, 2009 |
| Denis Lavallée | 150,000 | 3,34% | 0,28 | 0,28 | December 7, 2009 |

(1) 4,495,000 Stock Options have been granted to the employees of the Company and its affiliates during the financial year ended December 31, 2004.

Option Exercises During the Year Ended December 31, 2004 and Financial Year-end Option Values

The following table summarizes, for each of the Named Executive Officers, (a) the number of shares covered by stock options, if any, exercised during the year ended December 31, 2004, (b) the aggregate value realized upon exercise, (c) the total number of unexercised options, if any, held at December 31, 2004, and (d) the aggregate value of unexercised in-the-money options at financial year-end, which is the difference between the exercise price of the options and the market value of the Shares of the Company on December 31, 2004, which was \$0.29 per share.

| Named Executive Officers | Number of Shares Acquired on Exercise | Aggregate Value Realized (\$) | Number of Unexercised Options at Financial Year-end | | Value of Unexercised In-the-Money Options at Financial Year-end (\$) | |
|---------------------------------|--|--------------------------------------|--|----------------------|---|----------------------|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| Mario Girard | None | – | 966,949 | 1,033,051 | 12,350 | 56,400 |
| Bruno Martel | None | – | 92,000 | 418,000 | 7,600 | 32,400 |
| Laurent Proulx | None | – | 90,000 | 610,000 | 5,700 | 26,800 |
| Denis Lavallée | None | – | 240,000 | 1,110,000 | 36,000 | 145,500 |

Employment Agreements and Change in Control Agreements

The Company has entered into employment agreements (“**Employment Agreements**”) with some of its employees, including the Named Executive Officers. These Employment Agreements provide for the payment of a base salary and the possibility of payment, at the Company's discretion, of additional benefits, including bonuses based on the achievement of objectives. Such Employment Agreements are for an indefinite term, however, they will terminate automatically in the event of the death or resignation of the employee and the Company may terminate such agreements without being obliged to pay any indemnity in the event of, notably, gross negligence in the performance of duty, fraud or other serious reason. In the event that the Company terminates an Employment Agreement without serious reason, it shall pay the employee an indemnity in lieu of notice equivalent to 6 to 12 months' base annual salary. In addition, and as the case may be, the employee will receive his planned annual bonus (on a pro rata basis), or all stock options granted to him or for which undertakings have been taken will automatically be fully vested upon such event. The employee may, as the case may be, terminate his employment upon 15 to 30 days' prior written notice. The Employment Agreements also contain undertakings pertaining to confidentiality, the assignment of intellectual property rights, no-competition and no-solicitation.

In the event of a change in control, the Company may terminate the Employment Agreements by paying an indemnity in lieu of notice equivalent to 6 to 12 months' base annual salary as well as the annual planned bonus, and the stock options granted or promised to the employee will be fully vested upon such event.

Report on Executive Compensation

General Principles of Executive Compensation

The compensation of the executive officers of the Company and its subsidiaries, including the Named Executive Officers, is fixed by the Company's Human Resources Committee, which currently consists of four (4) members who are outside directors, namely, Messrs. Pierre Ducros, who serves as Chairman of the committee, and Yves Bellemare, Richard Drouin and Marc Dutil.

Components of Overall Compensation

In order to ensure that the Company is able to attract, motivate and retain the highly qualified employees required for its success, the Company has developed and implemented a formal strategic policy regarding the compensation of its executives. This policy is intended to ensure that the Company's executives receive total compensation that (a) is competitive with the compensation received by executives employed by a group of comparable companies selected by the Company, (b) links the executives' interests with those of the shareholders and (c) rewards superior performance. The policy is comprised of 4 components:

1. the base compensation strategy, which is intended to align base salaries, benefits and perquisites with the median of the reference market;
2. annual incentive bonus;
3. a long-term profit-sharing plan in the form of stock options, which is intended to increase shareholder value; and
4. an employee benefit plan which provides executives and their families with adequate protection in the event of death, disability or illness.

Base Salary

The base salary of executive officers, including the Chairman of the Board and Chief Executive Officer, is based on competitive salaries for positions involving similar responsibilities at other Canadian corporations. The Company has a policy of reviewing salaries annually and making adjustments to reflect the acquisition and use of key competencies and individual contributions to the results of the Company in the previous fiscal year. The Human Resources Committee recommends adjustments to the Board as necessary.

Annual Incentive Bonus

The annual incentive bonus may range between 35% and 40% of the base salary for senior executives and 60% for the President and Chief Executive Officer. The amount of all annual bonuses is based on factors relating to both corporate and individual performance. Corporate performance is assessed on the basis of financial objectives related to revenue and earnings before interest, taxes, depreciation and amortization (EBITDA). The actual amount of the bonus may vary between zero and a maximum of twice the target bonus, depending on the level of achievement of the above-mentioned objectives.

Long-Term Profit Sharing Plan

The executive officers, including the Chairman of the Board and Chief Executive Officer, may participate in the Stock Option Plan, which is designed to encourage executives to link their interests with those of shareholders, in order to encourage an appreciation in shareholder value. The terms of the Stock Option Plan are described hereinabove under the heading "***Current Stock Option Plan***" on page 7 of this Circular. Options are granted based on the role and responsibilities associated with the participant's position, his or her influence over appreciation in shareholder value and the number of options currently held.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

During the fiscal year ended December 31, 2004, the Company granted no loans to any officer or nominee director or their associates. On the date hereof, no loan granted by the Company to any such person is still outstanding.

CORPORATE GOVERNANCE STATEMENT

In accordance with Policy 3.1 of the Corporate Finance Manual of the TSX Venture Exchange, the Board has reviewed the Toronto Stock Exchange corporate governance guidelines, which requires issuers to disclose each year their corporate governance practices, and is of the opinion that the Company complies fully therewith. The Company's corporate governance practices are described in tabular format in Appendix 2 of this Circular.

AUDIT COMMITTEE

Composition of the Audit Committee

On March 15, 2005, the Company's audit committee was composed of Marc Dutil, chairman of the committee, Yves Bellemare, Pierre Ducros and Richard Drouin.

Under Multilateral Instrument 52-110 *Audit Committees* enacted by the Canadian Securities Administrators ("MI 52-110"), a member of an audit committee is "independent" when the member has no direct or indirect material relationship with the issuer, which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of a member's independent judgment. All members of the Audit Committee of the Company are independent pursuant to MI 52-110.

Under MI 52-110, an individual is "financially literate" when he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements. All members of the Audit Committee of the Company are financially literate pursuant to MI 52-110.

Fees for the Services of External Auditors

For financial years ended December 31, 2003 and 2004, the following services fees have been invoiced to the Company by PriceWaterhouseCoopers LLP, Chartered Accountants, the external auditors:

| | 2003 | 2004 |
|-----------------------------------|----------|----------|
| Audit Fees | \$30,580 | \$66,000 |
| Audit-related Fees ⁽¹⁾ | None | \$2,174 |
| Tax Fees | None | None |
| All Other Fees | None | None |

(1) Aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or to the review of the financial statements, and that are not reported as Audit Fees.

Auditors' Independence

The Audit Committee of the Company has obtained a written confirmation from PriceWaterhouseCoopers LLP, of the auditors' independence and objectivity with regard to the Company, pursuant to the Code of Ethics of the Québec Order of Chartered Accounts.

Exemption for Venture Issuers

The Company is a venture issuer in accordance with MI 52-110 and as such is relying upon the exemption of the application of part 5 (Reporting Obligations) of same Instrument.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company provides insurance for the benefit of the directors and officers of the Company and its subsidiaries against liability which may be incurred by them in these capacities. The current policy limit is \$5,000,000. Such insurance is subject to a general deductible of \$50,000 per loss, as well as specific exclusions, which are usually contained in such policies. The total annual premium paid during the fiscal year ended December 31, 2004 in respect of this policy was \$34,896. This annual premium, which has not been specifically allocated between the directors as a group and the officers as a group, was paid entirely by the Company.

OFFICERS AND OTHERS HAVING AN INTEREST IN MATERIAL TRANSACTIONS

No insider of the Company, nominee director or any of their associates or affiliates has any interest in any material transaction conducted since the beginning of the last financial year or in any proposed transaction that materially affected or will materially affect the Company and its subsidiaries.

ADDITIONAL INFORMATION

The Company is a reporting issuer under the Quebec's Securities Act and under British Columbia and Alberta Securities legislation and is therefore required to file financial statements and management proxy circulars with the Autorité des marchés financiers of Quebec, the British Columbia Securities Commission and the Alberta Securities Commission. Due to its venture issuer status, the Company is exempted from filing an annual information form with the securities authorities. Copies of the Company's latest audited financial statements and interim financial statements filed since the date of the latest audited financial statements may be obtained from SEDAR at www.sedar.com and upon request made to the Corporate Secretary of the Company. The Company may require the payment of a reasonable charge when the request is made by a person other than a holder of securities of the Company.

APPROVAL OF THE MANAGEMENT PROXY CIRCULAR

The contents and sending of this Management Proxy Circular have been approved by the Board of Directors of the Company.

Montreal, Quebec, Canada, March 15, 2005.



Stéphanie Benoit
Legal Counsel and Corporate Secretary

APPENDIX 1 – STOCK OPTION PLAN AMENDED

NSTEIN TECHNOLOGIES INC.

STOCK OPTION PLAN FOR CERTAIN DIRECTORS, EMPLOYEES AND SERVICE PROVIDERS

*Passed June 13, 2000
Amended May 9, 2005*

1. PURPOSE OF THE PLAN

- 1.1 The purpose of the Stock Option Plan (the “**Plan**”) for certain directors, employees and service providers of Nstein Technologies Inc. and its subsidiaries (collectively the “**Company**”) is to grant certain directors and employees of the Company and certain of the Company’s service providers (collectively “**Grantees**” or individually “**Grantee**”) stock options (the “**Stock Options**” or a “**Stock Option**”) to allow them to purchase common shares of the share capital of the Company on the terms set forth in the Plan in order to encourage productivity among the Grantees and thereby promote the Company’s growth and development.
- 1.2 For purposes of the Plan, the expression “**Service Provider**” means i) an employee or insider of the Company; and ii) any other person or company engaged to provide ongoing management or consulting services for the Company or for any entity controlled by the Company.
- 1.3 For purposes of the Plan, “**subsidiary**” means a corporation controlled by another, it being understood (i) that one corporation is deemed to control another if it holds shares giving it more than fifty (50%) of the votes for the election of a majority of the directors of such corporation, and (ii) that a corporation which is a subsidiary of a subsidiary of another corporation shall be deemed to be a subsidiary of such other corporation.

2. ADMINISTRATION OF THE PLAN

- 2.1 The administration of the Plan shall be under the control and direction of the Board of Directors of the Company (the “**Board**”). In addition, the Human Resources Committee set up by the Board (the “**Committee**”) may advise the Board on all aspects of the Plan. The Board shall have complete authority for the interpretation and application of the Plan and the adoption of such rules, conditions and other measures as it deems necessary or expedient for the administration of the Plan.

3. SHARES SUBJECT TO THE PLAN

- 3.1 Subject to the adjustments provided hereof, the number of common shares that may be issued upon the exercise of Stock Options may not exceed eighteen million six hundred forty thousand (18,640,000) common shares, namely about 10% of all issued and outstanding common shares of the share capital of the Company (the “**Common Shares**”). This number includes the shares subject to Stock Options already granted prior to May 9, 2005. All Shares subject to Stock Options that expire before being exercised may be re-optioned under the Plan.

4. GRANT OF STOCK OPTIONS

- 4.1 The Board, after considering the recommendations of the Committee, shall designate the Grantee or Grantees to whom Stock Options are granted and the number of Common Shares so optioned.
- 4.2 The Committee (or the Board) shall fix the terms on which the Stock Options shall be granted, in particular:
 - 4.2.1 Term of the Stock Option;

- 4.2.2 Conditions of vesting;
- 4.2.3 Restrictions on the exercise of vested Stock Options, if any.
- 4.3 No single Grantee shall be granted Stock Options entitling him to subscribe for shares of the share capital of the Company representing more than five percent (5%) of all of the Common Shares.
- 4.4 No single Grantee that is a Service Provider shall be granted, in any 12-month period, Stock Options entitling him to subscribe for shares of the share capital of the Company representing more than two percent (2%) of all of the Common Shares.
- 4.5 No single Grantee that is a Service Provider conducting investor relations activities shall be granted, in any 12-month period, Stock Options entitling him to subscribe for shares of the share capital of the Company representing more than two percent (2%) of all of the Common Shares.
- 4.6 The Company represents that all Grantees are bona fide directors, employees and Service Providers, as the case may be.

5. SUBSCRIPTION PRICE

- 5.1 The subscription price for each Common Share optioned shall be fixed by the Board on the date of grant, but shall in no case be less than the market value (as that term is defined hereinafter) of the Common Shares when the Stock Option is granted.
- 5.2 “**Market Value**” means the closing price of the Common Shares on a recognized stock exchange on the day preceding the date of grant, or if the day preceding the date of grant is not a business day or if the Common Shares are not traded on that day, the next preceding business day on which the Common Shares were traded.

6. TERM OF THE STOCK OPTION

- 6.1 Each Stock Option may be exercised during the period set for that purpose by the Board; such period shall not commence before the date of grant of the Stock Option and shall expire no later than the seventh (7th) anniversary of the date of grant. Subject to the foregoing:
- 6.2 Subject to section 6.1:
 - 6.2.1 If a Grantee dies, Stock Options that are not vested at the date of his death may be exercised by his estate at the earlier of the expiry date of the Stock Options or the expiry of a period of 365 days following the date of his death;
 - 6.2.2 If a Grantee is an employee and his employment with the Company is terminated for a reason other than death, outstanding Stock Options that are vested at the effective date of termination of employment and have not already been exercised may be exercised at any time during the sixty (60) days following the date of termination of employment. However, in the event of dismissal for serious cause, the Stock Options shall be exercised within one business day following the delivery of a notice in writing confirming the dismissal and the requirement to exercise the vested Stock Options on the following day; failing such express notice, the sixty (60) day exercise period following the date of dismissal shall apply. Stock Options that are not vested at the date of dismissal or termination of employment with the Company shall expire at such date. Notwithstanding the foregoing and in the event of dismissal for serious cause, such as theft, fraud or embezzlement of the Company or breach by the employee of a no-competition or confidentiality agreement, the Stock Options, whether or not vested, shall be cancelled as of the date of delivery to the Grantee of a notice in writing confirming his dismissal and specifying the serious cause(s);
 - 6.2.3 If a Grantee is a non-employee director who ceases for any reason to be a director, vested Stock Options at the effective date of the expiry of his mandate as a director which have not been previously exercised may be exercised at any time within the sixty (60) days following the date at which he ceases to act as a director. Stock Options that are not vested at the date when the director ceases to act as a director shall expire at that date;

- 6.2.4 If a Grantee declares bankruptcy or makes an assignment of his property in favor of his creditors, Stock Options, whether or not vested, shall be cancelled as of the day preceding the date of the Grantee's bankruptcy or assignment of his property;
- 6.2.5 In the event of a potential change in control (as defined below) the Board may, at its discretion, without requiring the Grantees' consent, accelerate the vesting and/or expiry dates of all Stock Options. All Stock Options shall be exercisable for a period to be determined by the Board following a potential change in control. The Board shall promptly notify each participant in writing of any acceleration of the vesting dates and/or the expiry dates.

For purposes of subsection 6.5(a) a "**potential change in control**" shall be deemed to occur:

- (i) Upon a formal bid for Shares (other than by the Company, a subsidiary or an employee benefit plan established or maintained by the Company) representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities; or
- (ii) Upon the reference date for the entitlement to vote at a meeting of the Company's shareholders called to approve:
 - (A) An amalgamation, merger or consolidation of the Company with or into another company (other than an amalgamation, merger or consolidation the definitive agreement for which provides that at least 51% of the directors of the surviving or resulting company immediately after the transaction are directors who have been continuing directors of the Company during the two (2) years immediately preceding the reference date for the meeting); or
 - (B) A sale or other disposition of all or substantially all of the Company's assets; or
 - (C) A plan of liquidation or dissolution of the Company.

- 6.3 The Grantee shall forfeit all his rights in respect of a Stock Option if he does not exercise the Stock Option prior to the expiry date.

7. EXERCISE OF THE STOCK OPTION

- 7.1 Subject to restrictions, if any, a vested Stock Option may be exercised at any time prior to its expiry.
- 7.2 A Stock Option shall be exercised by notice in writing given to the Company; such notice shall indicate the number of Common Shares with respect to which the Stock Option is exercised and the address to which the certificate representing the shares should be delivered. Such notice shall be accompanied with a certified cheque payable to the order of the Company in an amount equal to the subscription price. The Company shall cause to be issued to the Grantee a certificate for the number of Common Shares indicated in the notice and shall deliver such certificate to him at the address indicated in the notice, upon receipt of the notice and the cheque.

8. NON-ASSIGNABILITY

- 8.1 No Stock Option or any related interest shall be assigned by a Grantee except by testamentary disposition or according to the legal provisions governing intestate successions.

9. STATUS OF GRANTEE

- 9.1 A Grantee shall not as such have any of the rights of a shareholder of the Company until he becomes the registered holder of the shares subject to a Stock Option. A Stock Option shall not confer on a Grantee any right to remain in the employment of the Company or in any way prevent the Company from terminating the employment of a Grantee.

10. EFFECT OF CHANGE IN SHARE CAPITAL

- 10.1 In the event of a change in the number of Common Shares due to payment of a stock dividend, a stock split, recapitalization, combination, consolidation or exchange of shares or any other change in the capital structure of the Company, the Board shall make an equitable re-adjustment in the maximum number or type of shares that may be issued under the Plan or that are subject to outstanding Stock Options and in the subscription price of such shares; such readjustment shall be final and mandatory for purposes of the Plan.

11. MODIFICATION AND TERMINATION

- 11.1 The Board may at any time modify or suspend the Plan or terminate it in whole or in part.
- 11.2 The decision of the Board to modify or suspend the Plan or terminate it in whole or in part shall not affect the rights of a Grantee of Stock Options previously granted who has not given his consent to such decision.
- 11.3 Any amendment made to the Plan or the terms of a Stock Option granted under the Plan shall be subject to the approval of the regulatory authorities where applicable.
- 11.4 Any modification reducing the exercise price of a granted Option, should the Grantee be an insider of the Company at the time of the proposed amendment, must be approved by disinterested shareholders in accordance with the rules and policies of the Venture Exchange.

12. FINAL PROVISIONS

- 12.1 The provisions herein contained shall come into force on the approval date by the shareholders of the Company.
- 12.2 The Company's obligation to grant Stock Options or to issue shares under the Plan shall be subject to all applicable laws, regulations and rules of any government agency or other regulatory authority having jurisdiction with respect to the issue or distribution of securities and the rules of any stock exchange on which the shares of the Company may eventually be listed.
- 12.3 The Company does not give any warranty for losses or profits resulting from fluctuation of the quoted market price of the Common Shares of the Company.
- 12.4 Subject to its source deductions obligations in accordance with tax acts, the Company shall not be liable to a Grantee for the income or other tax consequences of his participation in the Plan and Grantees are advised to consult with their own tax advisers with respect to such matters.
- 12.5 The Plan and the Stock Options granted hereunder shall be governed by and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein.
- 12.6 In case of contradiction between the English and French versions of the Plan, the French version shall prevail.

APPENDIX 2 – CORPORATE GOVERNANCE STATEMENT

The following table describes the Company’s position with regard to each of the guidelines established by the Toronto Stock Exchange in corporate governance matters.

| <i>Corporate Governance Guidelines</i> | <i>Does the Company align?</i> | <i>Comment</i> |
|--|--------------------------------|---|
| 1. The Board of directors of the Company ¹ must assume responsibility for the stewardship of the Company and, as part of the overall stewardship responsibility, should assume responsibility for the following matters: | √ | The Board recognizes that it is responsible for the stewardship of the Company, meaning that it oversees the conduct of the Company’s business and supervises the executive management of the Company. The Board has formed the following committees to fulfill its stewardship role: (i) the Human Resources Committee, (ii) the Audit Committee and (iii) the Corporate Governance and Nominations Committee. The Board as well as these committees have met on several occasions during 2004: <ul style="list-style-type: none"> - Board: 7 meetings - Human Resources Committee: 4 meetings - Audit Committee: 4 meetings - Corporate Governance and Nomination Committee: 2 meetings. |
| i) Adoption of a strategic planning process; | √ | In fulfilling its mandate, the Board, among other matters, is responsible for reviewing and approving strategic plans and budgets; |
| ii) The identification of the principal risks of the Company’s business and ensuring the implementation of appropriate systems to manage these risks; | √ | Identification of the principal risks associated with the Company’s business and action to ensure the implementation of adequate systems for the management of such risks are the responsibility of the Board and the Audit Committee. However, the management of such risks is subject to ongoing control by the management, which informs the Board how it is monitoring any new risk. The Board adopts appropriate measures as necessary; |
| iii) Succession planning, including appointing, training and monitoring senior management; | √ | With the support of the Human Resources Committee and management, the Board reviews succession planning for senior management; |
| iv) A communications policy for the Company; and | √ | The shareholders of the Company may ask all questions regarding the Company’s operations directly to the Chairman of the Board and Chief Executive Officer at any time and at the annual meeting. The Board approves the main communications to shareholders, including releases of quarterly results, releases of material information to the public, notices and proxy circulars for shareholder meetings and certain other public disclosure documents; |
| v) The integrity of the company’s internal control and management information systems. | √ | To assist the Board in its work, the Board has formed the following committees with responsibility for reviewing the implementation of corporate strategy and advising the Board in this regard: Human Resources Committee, Audit Committee, Corporate Governance and Nominations Committee. The Audit Committee and senior management review the integrity of internal controls and management information systems of the Company. |

¹ The board of directors of the Company is hereinafter referred to as the “Board”.

| <i>Corporate Governance Guidelines</i> | <i>Does the Company align?</i> | <i>Comment</i> |
|--|--------------------------------|---|
| 2. The Board of the company should be constituted with a majority of individuals who qualify as unrelated directors ² . If the corporation has a significant shareholder ³ , in addition to a majority of unrelated directors, the Board should include a number of directors who do not have interests in or relationships with either the corporation or the significant shareholder and which fairly reflects the investment in the corporation by shareholders other than the significant shareholder. | √ | Out of the 5 current directors: <ul style="list-style-type: none"> - 3 are unrelated to the Company, namely Pierre Ducros, Richard Drouin and Marc Dutil; - 1 director is related to a significant shareholder of the Company, namely Yves Bellemare as representative of the Fonds de solidarité des travailleurs du Québec (F.T.Q.), which has a control over 26.05 % of the issued and outstanding shares of the Company; - Only 1 director is a related director, namely Mario Girard. |
| 3. The application of the definition of “unrelated director” to the circumstances of each individual director should be the responsibility of the Board which will be required to disclose on an annual basis the analysis of the application of the principles supporting this conclusion. | √ | Only Mario Girard is related to the Company, as Chief Executive Officer of the Company. As regards the other nominee directors, namely, Robert Barakett, Richard Drouin, Pierre Ducros and Marc Dutil, none of them has an interest arising from a relationship with the Company that may be perceived to materially interfere with the director’s ability to act independently and in the best interests of the Company; the Board believes that they are directors “unrelated” to the Company. |
| 4. The Board of the company should appoint a committee of the Board composed exclusively of outside directors ⁴ a majority of whom are unrelated directors, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis. | √ | The Corporate Governance and Nominations Committee has the responsibility of assessing the individual and collective effectiveness of the Board and selecting new directors. This committee currently consists exclusively of unrelated outside directors: Richard Drouin, Chairman, Yves Bellemare, Pierre Ducros and Marc Dutil. |
| 5. The Board should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors. | √ | The Corporate Governance and Nominations Committee is responsible for implementing these measures. The directors have an obligation to fulfill their duties and assume their responsibilities in the best interests of the Company. |
| 6. The company, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the Board. | √ | The Corporate Governance and Nominations Committee is responsible for the orientation and education of new recruits to the Board. When a new director is appointed, presentations will be given on the organization and operational procedures of the Company as well as the market in which the Company operates. |
| 7. Every Board should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making | √ | The mandate of the Board includes reviewing its size annually to ensure effectiveness. The Board is of the opinion that 5 to 7 directors is an appropriate size for effective decision-making. |

² Pursuant to the Toronto Stock Exchange Guidelines, an “**unrelated director**” of the Company is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding. A “**related director**” of the Company is a director who is not an unrelated director.

³ Pursuant to the Toronto Stock Exchange Guidelines, a “**significant shareholder**” is a shareholder with the ability to exercise a majority of the votes for the election of the board of directors.

⁴ Pursuant to the Toronto Stock Exchange Guidelines, an “**outside director**” is a non-management director.

| <i>Corporate Governance Guidelines</i> | <i>Does the Company align?</i> | <i>Comment</i> |
|--|--------------------------------|---|
| 8. The Board should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director | √ | The Corporate Governance and Nominations Committee has reviewed the compensation of the outside directors of the Company and has reported to the Board. The Board is satisfied that compensation is adequate |
| 9. Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors, although some Board committees, such as the executive committee, may include one or more inside directors ⁵ . | √ | All the committees of the Board consist only of unrelated outside directors. |
| 10. Every Board should expressly assume responsibility for, or assign to a committee of directors general responsibility for, developing the company's approach to governance issues. This committee would, amongst other things, be responsible for the company's response to these governance guidelines | √ | The Corporate Governance and Nominations Committee is responsible for all matters relating to corporate governance, including establishing procedures for recruiting new directors. This committee reports to the Board. |
| 11. The Board, together with the Chief Executive Officer, should develop position descriptions for the Board and for the Chief Executive Officer, involving the definition of the limits to management's responsibilities. In addition, the Board should approve or develop the corporate objectives which the Chief Executive Officer is responsible for meeting | √ | The Corporate Governance and Nominations Committee has considered this question. The mandate and duties of the Board and the Chief Executive Officer have been approved by the Board. |
| 12. Every Board should have in place appropriate structures and procedures to ensure that the Board can function independently of management. An appropriate structure would be to (i) appoint a chair of the Board who is not a member of management with responsibility to ensure the Board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the Board or to a director, sometimes referred to as the "lead director". Appropriate procedures may involve the Board meeting on a regular basis without management present or may involve expressly assigning the responsibility for administering the Board's relationship to management to a committee of the Board. | √ | The Board has appointed a Chairman who is a member of management. The application of structures to assess the independence of the Board is entrusted to the Corporate Governance and Nominations Committee, whose mandate is to supervise the quality of the relations between the management and the Board and to recommend improvements. The directors are requested to make observations on the effectiveness of the Board to the Chair of the Corporate Governance Committee |
| 13. The audit committee of every Board should be composed only of outside directors. The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The audit committee's duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of | √ | The Audit Committee currently consists of 4 members, all of whom are considered to be outside directors and unrelated directors under the guidelines. These members are Marc Dutil, who serves as Chairman, Yves Bellemare, Pierre Ducros and Richard Drouin. In addition to discharging its legal obligation to review the Company's quarterly and annual financial statements, the Audit Committee is responsible for recommending to the Board the appointment of the Company's independent auditors, and for reviewing with the independent auditors the scope and results of audits, the Company's internal accounting control mechanisms, audit practices and professional services provided by the independent auditors. The Audit Committee also analyses the Company's returns and investments and ensures that the Company's strategy is appropriately implemented in financial matters |

⁵ Pursuant to the Toronto Stock Exchange Guidelines, an "inside director" is a management director.

Corporate Governance Guidelines

**Does the
Company
align? Comment**

the audit committee to ensure that management has done so.

14. The Board should implement a system, which enables an individual director to engage an outside adviser at the expense of the company in appropriate circumstances. The engagement of the outside adviser should be subject to the approval of an appropriate committee of the Board.

√

Each individual director may, subject to the approval of the Corporate Governance and Nominations Committee, engage an outside adviser.

