



A N N U A L
R E P O R T

2005

01	Letter to Shareholders
03	Management's Discussion and Analysis of Financial Condition and Results of Operations
12	Reports to Shareholders
14	Consolidated Financial Statements
17	Notes to Consolidated Financial Statements
32	Management Team and Board of Directors



About Nstein Technologies Inc.

Nstein Technologies (TSX-V: EIN) develops and markets leading-edge software solutions for analyzing vast amounts of unstructured data in virtually all languages. Nstein's linguistic-based platform collects, organizes, analyzes, cross-examines, shares and translates data from any source, in real time. Nstein's text mining and multilingual information access solutions transform reactive decision-making into a high-impact proactive and even predictive process, and solve mission-critical problems. Nstein has developed tailored solutions for clients in e-publishing and homeland security & intelligence markets, as well as for large enterprises and government organizations. The Company is headquartered in Montreal, Canada, with offices in the United States and Europe. More information is available at www.nstein.com.

Message from the Chairman and Chief Executive Officer



Nstein celebrated its fifth year of business in 2005. Since its inception, the company has produced solutions allowing people to access multilingual information—whatever the source—faster and more accurately. This choice has proved to be astute: in the last five years, the amount of information available on the Internet and handled by businesses has continued to grow exponentially. Fiscal 2005 saw the company focus particularly on commercializing new solutions (such as Nstein's Ntelligent Enterprise Search and Public Image Monitoring for IBM® WebSphere® Information Integrator OmniFind™ Edition, by Nstein) and acquiring new clients.

Corporate groupings, the advent of major players and growing interest among analysts for solutions like Nstein's are all clear signs that the information search and access market is maturing. According to these analysts, more standardized solutions that are indispensable for most large companies lie just around the corner¹. Even though this "cruising speed" has not yet been attained, Nstein almost doubled its revenues, with sales totalling \$9.1M compared with \$4.8M in 2004. No effort has been spared to penetrate this market faster and we are now ideally positioned to seize growth opportunities.

Innovative solutions based on proven technology

Many analysts report that digital information is practically doubling in volume every two years. The range of types of content is broadening just as importantly. Companies now have to take into account multilingual external information (available publicly on the Internet) in addition to conventional internal content such as marketing literature, technical manuals and legal documents. Classic searches by keyword no longer meet the needs of companies coping with so much structured and unstructured information. For companies to be agile and grow successfully, they need to be able to rely on intelligent search solutions. Nstein solutions are designed for precisely that niche.

During 2005, Nstein reaffirmed its strategic position with the e-publishing clientele, signing contracts with renowned companies in the field, among them Getty Images (worldwide leader in image creation and distribution) and ProQuest (a major publisher of electronic content for libraries and educational institutions worldwide). The same technology from Nstein, capable of analyzing all data sources and extracting the meaning, relationships and latent information they contain, served as a springboard for building search solutions designed for businesses and government agencies.

Why does Nstein occupy a special position in the information access technology industry? Because our technology is based on software applications combining three different sectors which, taken individually, are only part of the answer to information access problems: text mining, business intelligence, and search engines. Launched in the fall of 2005, Nstein's Ntelligent Enterprise Search is designed to be the point where these technologies converge. The solution is already creating a stir at companies, as shown by a first sale to Cognos at the end of 2005.

Further commercialization

Nstein's revenues reached \$9.1M, compared with \$4.8M in 2004, soaring by 88% despite the Canadian dollar's rise in value. Net losses before financial expenses, income tax, depreciation, amortization and impairment of intangible assets (EBITDA) increased from \$2.3M in 2004 to \$3.1M in 2005. The rise was due primarily to an increase of operating expenses related to the integration of businesses acquired during fiscal 2004, combined with investments made in 2005 to accelerate the company's growth.

¹ The capability to intelligently integrate and leverage structured and unstructured information is important for efficiency. (...) More than 20 percent of Global 2000 companies will bridge structured and unstructured data using enterprise search by year-end 2007. (Source: Gartner, February 2, 2006).

Nstein announced the closing of \$4.1M in financing in October 2005, to reimburse various debts and support the company's general operations. The additional funds from this investment are currently allocated to executing our business plan, which focuses on accelerated growth in the information access technology market.

Growth outlook

A key initiative in 2005 was the link we established with IBM in August, announcing the integration of Nstein technology with IBM's Unstructured Information Management Architecture (UIMA), followed by the launch of a first solution in November. This solution, Public Image Monitoring (PIM), is a search driven business intelligence tool based on IBM WebSphere Information Integrator, OmniFind Edition, that uses the semantic search and text analytics modules developed by Nstein.

The PIM solution is attracting growing interest because it fulfils a new business need. The content available on the Internet generated by blogs, opinion forums and news articles is increasing exponentially. An estimated 70,000 new blogs² are created every day and over 50 million Internet users³ read them... This explosion of online data has produced a phenomenon whereby people's opinions about an enterprise or organization are being disseminated in real time throughout the world. Clearly these sources contain a significant mass of indicators about consumers, competitors and expert opinions which, if known to companies, can inform their decision processes and guide their business strategies. The agility, growth and success of these businesses therefore depend on intelligent solutions for accessing these information sources—solutions like PIM and Nstein's Ntelligent Enterprise Search.

On the basis of these facts, Nstein is pursuing commercialization of its solutions as well as business development. The signing of new contracts, technological integration with IBM and industry recognition of Nstein in various forms (including the Fédération Informatique du Québec OCTAS Awards for Excellence and Technological Innovation) are all promising events pointing to a larger market share in the information access technology sector for 2006. Nstein can rely on its team of experienced managers and the excellence and dynamism of its employees, and therefore looks forward with confidence to meeting this challenge.

On behalf of the Board of Directors, I extend heartfelt thanks to our clients, shareholders, employees and partners for their unwavering support.



Mario Girard
Chairman and Chief Executive Officer

² Technorati.com

³ PEW Study / Internet, 2004

Management's Discussion and Analysis of Financial Condition and Results of Operations

This analysis provides the reader with a summary of changes in the financial situation of Nstein Technologies Inc. ("Nstein" or the "company") during fiscal year ended December 31, 2005. It also compares results of operations and cash flows for the 12-month period ended December 31, 2005 with those for the previous fiscal year.

The analysis should be read in conjunction with the audited consolidated financial statements as at December 31, 2005 and related notes presented in the company's annual report. Nstein's financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP). The company reports its results in Canadian dollars. Unless otherwise indicated, all amounts in this analysis are in Canadian dollars.

Some statements in this analysis are forward-looking statements and reflect the company's present assumptions regarding future events. Forward-looking statements involve risks and uncertainties that could cause actual results to differ from current expectations.

Overview

Nstein Technologies (TSX-V: EIN) develops and markets leading edge software solutions for analyzing vast amounts of unstructured data in virtually all languages. Nstein's linguistic-based solutions collect, organize, analyze, cross-examine, share and translate data from any source, in real time. Nstein's text mining and information access solutions transform reactive decision making into a proactive and even predictive process, and solve mission critical problems faced by businesses and organizations. Nstein has developed tailored solutions for clients in the homeland security and intelligence and e-publishing markets, as well as for large enterprises and government agencies. The company is headquartered in Montreal, Canada, with offices in the United States and Europe. More information is available at: www.nstein.com.

Strategy

Since its foundation, the company has focused on developing and marketing solutions that accelerate and improve multilingual information search and access. The company's initial offering targeted the e-publishing market, followed by solutions for governmental agencies (specifically for automated monitoring and analysis of information for homeland security and intelligence). Nstein's technology is also used in information search and access solutions designed for enterprises.

In 2006, Nstein will continue to focus its efforts on growth in these operating sectors as well as on business development opportunities with major players in information search and access technology.

Key performance indicators

Nstein evaluates performance for the whole company using key financial indicators, particularly revenues, EBITDA* and net loss. These items are described in the appropriate sections below. Management also monitors performance using certain indicators related to operations, in particular the acquisition of clients.

Selected annual information

<i>(In Canadian dollars)</i>	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues	9,103,887	4,848,140	1,775,332	1,352,164
EBITDA*	(3,132,020)	(2,349,974)	(2,183,044)	(4,342,296)
Loss	(6,769,125)	(3,195,477)	(2,395,744)	(4,678,136)
Basic and diluted loss per share	(0.036)	(0.021)	(0.020)	(0.050)
Total Assets	12,083,369	15,716,206	5,425,449	5,277,522
Long-Term Liabilities	2,988,619	2,258,895	749,883	129,963

* Definition of EBITDA: Earnings (loss) before financial expenses, income tax, depreciation, amortization and impairment of intangible assets. EBITDA is presented as an additional measurement of earnings to help readers determine the company's capacity to generate liquidity from its activities and defray its financial expenses. It is also an indicator that is widely used for evaluation purposes. Because this term has no standardized meaning under Canadian generally accepted accounting principles, it may not be comparable to similar measurements used by other companies.

The companies acquired during the year 2004 combined with organic growth enabled the company to raise revenues significantly over the last two years. Expenses have risen due to growth in workforce associated with acquisitions and intense marketing efforts. Also, notable expenses related to the amortization of intangible assets from the 2004 acquisitions were recorded in 2004 and 2005. Significant expenses related to the impairment of these intangible assets were also recorded in 2005, explaining a portion of the higher loss. Those amortization and impairment expenses did not have any impact on the company's cash flows.

Operating results

Revenues

Revenues for the fiscal year ended December 31, 2005 were \$9,103,887, representing an increase of 88% compared to revenues of \$4,848,140 for the corresponding period in 2004. The company derives most of its revenues from the sale of software user licenses, post-sales technical support, and specialized services. The companies acquired in 2004 contributed favorably to revenue growth. Sales were mainly in the e-publishing, and homeland security and intelligence sectors.

Cost of sales

The cost of sales is comprised of human resources assigned to the various projects (employees and external consultants), as well as third-party software charges. Cost of sales rose substantially in 2005 to \$4,818,093, compared to \$1,837,468 in 2004. Although this increase was partly due to growth in revenues, it resulted mainly from the sales' mix which contains a larger proportion of services for which direct costs are typically superior to costs related to software sales. The gross margin decreased from 62% in 2004 to 47% in 2005.

Consolidated expenses

The company's consolidated expenses amounted to \$11,054,919 in 2005, compared to \$6,206,149 in 2004. This increase results mainly from selling and administrative expenses and other non-cash impact charges such as depreciation, amortization and impairment of intangible assets.

Selling and administrative expenses

Selling and administrative expenses are mainly composed of salaries, commissions for sales personnel, travel expenses, office premises charges, professional fees, and costs related to the management of a publicly held corporation. Selling and administrative expenses amounted to \$6,004,261 in 2005, compared to \$3,820,088 in 2004. This increase results from the larger workforce derived from the 2004 business acquisitions combined with the investments required to market new solutions such as Ntelligent Enterprise Search.

Research and development expenses

Research and development expenses are comprised of human resources charges assigned to the various projects. The cost of research and development amounted to \$2,235,809 in 2005, compared to \$2,159,733 in 2004. Investment in research and development is a company priority and Nstein plans to continue upgrading its existing solutions throughout the current fiscal year, while continuing to develop leading edge software for the Business Intelligence sector.

Tax credits

As a result of its eligibility for the Cité Multimédia Montréal Program, the company is entitled to a refundable tax credit of 40% on qualified salaries up to a maximum of \$15,000 per employee. The company also benefits from tax credits for research and development. These tax credits rose to \$818,972 in 2005, compared to \$637,423 in 2004. This increase results from a combination of higher labor expenses and the reception of higher than anticipated tax credits.

Amortization of intangible assets

Amortization of intangible assets rose substantially, going from \$483,718 in 2004 to \$1,152,049 in 2005. This increase was due to the company acquisitions realized during fiscal 2004 and includes amortization of intangible assets identified at the time of the transactions. These assets consist of technologies acquired, client relationships, backlog and a non-competitive agreement.

Due to lower than expected sales and higher than planned costs, the company proceeded with an impairment test of intangible assets as at December 31, 2005. Analysis of expected cash flows related to these elements revealed that the initial carrying value accounted for in 2004 of some intangible assets, following the acquisition of KMTechnologies inc., Alis Technologies inc. and Cabinet Conseil Valsar inc. exceeded their fair market value. The company therefore expensed \$1,306,444, which is reported on the statement of earnings as an impairment of intangible assets.

Financial expenses

Financial expenses amounted to \$1,041,079 in 2005, compared to \$223,079 in 2004. This increase results from interest charges related to the new debt contracted during the fiscal year, with interest charges on long-term debt rising to \$552,566, compared to \$138,950 in 2004. Amortization of deferred financing expenses amounted to \$283,197 in 2005 compared to \$30,576 in 2004, an increase due mainly to a \$168,338 write-off of deferred financing expenses associated with a marketing loan contracted in 2003. This debt was reimbursed after the new financing was finalized in October 2005 as described later in this document. In addition, a significantly stronger Canadian dollar resulted in an exchange loss of \$110,969 in 2005. An exchange loss of \$33,332 was recorded for the same period in 2004.

Loss

Nstein recorded a loss of \$6,769,125 or \$0.036 per share for the fiscal year ended December 31, 2005, compared to a loss of \$3,195,477 or \$0.021 per share for 2004. Higher operating expenses related to the 2004 acquisitions, non-cash impact charges such as amortization of intangible assets and impairment of those intangible assets as well as intensified commercialization of new solutions caused this higher loss. Moreover, sales in 2005 included a significant portion of sales of specialized services which generate a lower gross margin than sales of software user licenses.

Selected quarterly financial information

<i>(In Canadian dollars)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	TOTAL
	\$	\$	\$	\$	\$
Fiscal year ended December 31, 2005					
Revenues	2,403,603	2,668,241	2,550,270	1,481,773	9,103,887
EBITDA*	(373,399)	(339,304)	(638,572)	(1,780,745)	(3,132,020)
Loss	(832,016)	(842,403)	(1,196,060)	(3,898,646)	(6,769,125)
Basic and diluted loss per share	(0.004)	(0.005)	(0.006)	(0.021)	(0.036)
Fiscal year ended December 31, 2004					
Revenues	761,977	690,566	1,140,962	2,254,635	4,848,140
EBITDA*	(557,556)	(667,179)	(664,013)	(461,226)	(2,349,974)
Loss	(620,994)	(752,011)	(786,233)	(1,036,239)	(3,195,477)
Basic and diluted loss per share	(0.005)	(0.006)	(0.005)	(0.005)	(0.021)

* Definition of EBITDA: Earnings (loss) before financial expenses, income tax, depreciation, amortization and impairment of intangible assets. EBITDA is presented as an additional measurement of earnings to help readers determine the company's capacity to generate liquidity from its activities and defray its financial expenses. It is also an indicator that is widely used for evaluation purposes. Because this term has no standardized meaning under Canadian generally accepted accounting principles, it may not be comparable to similar measurements used by other companies.

Liquidity and financial resources

Cash and cash equivalents

As at December 31, 2005, cash and cash equivalents amounted to \$1,928,718, compared to \$2,751,574 as at December 31, 2004.

Cash flows

Operating activities

Operating activities used \$3,001,898 in cash flows in 2005, compared to \$2,808,235 in 2004. Cash flows from operating activities before the variation in working capital items amounted to \$3,550,736 in 2005, compared to \$2,418,577 in 2004. The non-cash operating working capital items generated cash flows of \$548,838 in 2005 compared to a negative variation of \$389,658 in 2004. This improvement is due mainly to collection of receivables and to less significant disbursement of accounts payable than in the previous year.

Financing activities

Financing activities generated cash flows of \$2,503,611 in 2005, compared with cash flow disbursements of \$345,555 in 2004. This variance was generated by the new debt contracted in 2005 with American investors in the amount of \$4,096,050, structured as convertible debentures. A portion of those funds was applied towards the balance of the marketing loan contracted with the Bank of Montreal in 2003, of which an additional \$525,000 was collected during the year. The aggregate payments on long-term debt amounted to \$1,964,059 in 2005. Bank loans generated cash flows of \$248,952, resulting from the financing of receivable research and development tax credits. The financing charges related to the new debt contracted in 2005 generated a negative cash flow variation of \$314,774.

Investing activities

Cash flows used in investing activities were \$324,569 in 2005, compared to \$2,797,680 generated in 2004. This variance came mainly from the cash on hand from companies acquired in 2004, less the costs paid in connection with these acquisitions.

Contractual obligations

(In Canadian dollars)

	Total	Instalments payable, by period			
		Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years
	\$	\$	\$	\$	\$
Long-term debt	5,053,161	2,064,542	2,454,010	318,648	215,961
Use of offices	2,068,928	379,928	723,857	723,857	241,286
Research agreement	45,000	45,000	-	-	-

The company's long-term debt rose to \$5,053,161 in 2005, compared to \$2,923,999 as at December 31, 2004. On October 12, 2005, the company obtained financing from American institutional investors. The company issued interest-free debentures with a par value of US\$4,375,000 at a discount rate of 20% for a net amount of US\$3,500,000. These secured first-rank debentures are valid for a period of 24 months and are payable over 20 months starting February 28, 2006 and ending September 30, 2007, in cash payments (of US\$223,125 per month) or in common shares (at the lesser of 90% of the weighted average trading price of the five days preceding the payment or \$0.14 per share) or a combination of both depending on the predefined terms of the contract. These debentures are also convertible into common shares at the holder's option at a rate of \$0.14 per share. However, this rate may be adjusted given certain circumstances.

The company also issued 11,668,650 warrants to debenture holders allowing for acquisition of common shares at \$0.18 per share during a five-year period. This financing includes a liability component and equity components, namely conversion options and warrants. The net amount received was assigned to these elements on the basis of their respective fair values. The company records interest expense over time so that the value of the debt corresponds to the amount of loan payments. Interest of \$323,142 was recorded for fiscal ended December 31, 2005.

Under the terms of this financing agreement, the company must deposit in a separate bank account its research and development tax credit refunds. A minimum of \$1,000,000 must be deposited in this account on April 30, 2006 and the amount should be \$1,550,000 on April 30, 2007. The company may not use these sums without the permission of the debenture holders.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. This assumes that the company will be able to realize its assets and discharge its liabilities in the normal course of business. The company's successful completion of its commercialization program and its transition, ultimately, to the attainment of profitable operations is dependent upon the company's ability to obtain adequate sources of financing until the company generates positive cash flow from operations. Management continues to review the company's revenue generating activities and its expenditure levels to increase net cash flows. In addition, management is in the process of reviewing various financing alternatives and, if necessary, will seek additional financing. Management believes that these actions, in conjunction with the expected sales growth, make the use of the going concern basis appropriate. However, it is not possible at this time to predict the outcome of these matters. If the going concern basis is not appropriate, adjustments might be necessary in the carrying amounts and/or classification of assets, liabilities and expenses in these financial statements. (note 10a of the Consolidated Financial Statements).

On April 28, 2006, the company signed a binding letter of intent for an investment of \$10,000,000 in common shares to be issued, subject to customary closing conditions and regulatory approvals. The private placement is to be made jointly by Solidarity Fund QFL (the "Fund"), a significant shareholder of the company and J.L. Albright Venture Partners, an important Canadian venture capital firm. This investment, when completed, will provide the company with appropriate financial resources to intensively pursue the commercialization of its solutions. Moreover, this transaction, once executed, will substantiate the going concern assumption, on the basis of which the financial statements have been established. The new shares will be issued at a price equal to the market price less a discount. As part of the transaction, the lenders who participated in the October 2005 convertible debentures financing will waive most of the securities and covenants pertaining to the initial agreement (note 10a of the Consolidated Financial Statements). These holders of convertible debentures will see their conversion price increase from \$0.14 to the price established for the new financing. On March 27, 2006, the company contracted a \$400,000 term loan from the Fund. This loan will be converted in common shares as part of the planned \$5,000,000 investment from the Fund.

Shareholders' equity

Share capital

Authorized share capital is as follows:

- Unlimited number of common shares, without par value, voting and participating
- Unlimited number of preferred shares, without par value, non-voting and non-participating

Issued and fully paid	April 28, 2006	December 31, 2005	December 31, 2004
	\$	\$	\$
188,612,660 common shares as at April 28, 2006			
186,422,292 common shares as at December 31, 2005			
186,402,292 common shares as at December 31, 2004	29,810,895	29,534,130	29,532,130

Warrants and stock options

Each warrant and each stock option allow the holder to acquire one common share in the share capital.

Number	April 28, 2006	December 31, 2005	December 31, 2004
Warrants	19,359,979	19,359,979	4,530,782
Stock options	14,771,200	14,771,200	9,096,200

Further information about these items is found in Note 11 to the audited financial statements of the company for the fiscal year ended December 31, 2005.

Significant accounting policies

Revenue recognition

The company recognizes revenues from the sale of software and related post-contract customer support and other related services in accordance with Emerging Issues Committee Abstracts EIC-141 to 143 on revenue recognition. Fees from arrangements involving licenses, post-contract customer support and other related services are allocated to the various elements based on company-specific objective evidence of fair value of each of the elements. Revenues from software licenses are recognized when there is persuasive evidence of a valid arrangement, the software product has been delivered, there are no uncertainties surrounding product acceptance, the related fees are fixed or determinable, and collection is considered probable. Revenues from post-contract customer support elements are recognized ratably over the related support period. Revenues from other related services are recognized as the services are performed.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the years. Significant estimates include the allowance for doubtful accounts receivable, refundable tax credits, the useful lives of property, plant and equipment and intangible assets, impairment of long-lived assets, certain accrued liabilities and derivatives evaluation. Actual results could differ from those estimates.

Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the net identifiable assets acquired. Goodwill is not subject to amortization but is tested for impairment on an annual basis, or more frequently if events or circumstances indicate that it might be impaired. The recoverability of goodwill is established at the reporting unit level on the basis of a two-step impairment test. First, the net carrying value of a reporting unit is compared to its fair value, which is established on the basis of its market value. If the net carrying value of a reporting unit exceeds its fair value, the second step of the test must be performed. For this step, the amount of any goodwill impairment loss is the excess of the carrying value of goodwill over its fair value. This amount is charged to earnings in the period in which it is incurred. For purposes of this impairment test, the fair value of goodwill is estimated in the same way as during business acquisitions, meaning that it represents the excess of a reporting unit's fair value over the estimated fair value of its net identifiable assets. The company comprises a single reporting unit. The company has chosen to perform its annual impairment test in December of each year and noted no impairment loss for fiscal years 2004 and 2005.

Stock-based compensation and other stock-based payments

The company provides for a stock option plan, as described in note 11 of the company's consolidated financial statements. In accordance with new CICA standards outlined in Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments," the company adopted the recommendations retroactively on January 1, 2004, without restating prior years' results. A compensation charge must be included in the financial statements for all forms of stock-based compensation granted to directors, officers and employees, including stock options, based on the fair value method. For the year ended December 31, 2005, the company recorded a compensation charge of \$250,853.

Consolidation of variable interest entities

The company adopted the accounting guideline entitled "Consolidation of Variable Interest Entities" (AcG-15) on January 1, 2005. This standard requires a variable interest entity to be consolidated by its principal beneficiary, namely whoever will absorb the majority of

expected losses and/or receive the majority of expected residual returns. The adoption of this accounting guideline had no effect on the company's financial statements.

New accounting policies

In January 2005, CICA published four new accounting standards relating to financial instruments: Section 3855, "Financial Instruments – Recognition and Measurement," Section 3865, "Hedges," Section 1530, "Comprehensive Income," and Section 3251, "Equity."

Section 3855 expands on Section 3860, "Financial Instruments - Disclosure and Presentation," by prescribing when to recognize a financial instrument on the balance sheet and at what amount. It also specifies how to present financial instrument gains and losses on financial statements.

Section 3865 provides an alternative accounting treatment to the one described in Section 3855 for companies that choose to designate qualifying transactions as hedges for accounting purposes. It expands on Accounting Guideline AcG-13, "Hedging Relationships," and replaces the hedge accounting requirements in Section 1650, "Foreign Currency Translation," by specifying how to apply hedge accounting and what disclosures are necessary when it is applied.

Section 1530, "Comprehensive Income," introduces new requirements for temporarily presenting certain gains and losses outside net income.

Consequently, Section 3250, "Surplus," has been revised and renamed Section 3251, "Equity."

Sections 1530, 3251, 3855 and 3865 apply to fiscal years beginning on or after October 1, 2006. The company will apply these new rules as of January 1, 2007. The company is currently assessing the impact these new rules will have on its financial statements.

Contingency

The company, in conjunction with an institution, faces a lawsuit for an amount of \$885,000. Management believes that the lawsuit is unfounded; accordingly, no provision has been recorded in this respect.

Disclosure Controls and Procedures

As at the financial year ended December 31, 2005, an evaluation was carried out under the supervision of and with the participation of the company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2005 to provide reasonable assurance that material information relating to the company and its consolidated subsidiaries would be made known to them by others within those entities.

Risks and uncertainties

Nstein's sphere of activity is subject to a variety of risk factors and uncertainties. The company's business, financial position and results of operations may suffer the adverse effects of the risk factors and uncertainties described below. The risk factors and uncertainties listed here are not the only ones that may affect the company. Other risks and uncertainties currently unknown to the company or regarded as negligible could also impact its business operations.

Length of sales cycle

The company's current sales cycle is long, and approval of contracts by clients is often delayed for various reasons. This is beyond the control of Nstein.

Recent losses

The company incurred losses during fiscal 2005 and recent fiscal years. As a result, the company posted an accumulated deficit of \$27.7 million as at December 31, 2005. There is no assurance that the company will be in a position to maintain or improve its profitability or cash position through its operating activities on a quarterly or annual basis in the future.

Potential fluctuations in quarterly results

The company's quarterly operating results may fluctuate according to the time frame and size of certain orders; the number, date and importance of new product announcements made by the company or its competitors; the company's ability to develop, present and commercialize new improved versions of its products on a regular basis; the competitiveness of products and prices; and economic factors in general. These and other events such as delays in development or delivery of new products may affect quarterly results in the future.

Cash position and access to financing sources

Nstein occasionally turns to the financial markets to finance its activities. The company's future needs with respect to capital depend on a number of factors, especially expenses related to the research and development required to consolidate or improve the competitive advantage of its technology, and the expenditures required to pursue commercialization of its products and services. However, there is no guarantee that additional financing will be available or if need be, will be available on acceptable terms. Any factor affecting the company's capacity to access financial markets, such as sharply fluctuating interest rates, changes in the economic climate, or investor perception of the company's financial position or growth prospects could adversely affect its financial position and results of operations.

Competition

Nstein's sphere of activity is relatively new and includes an increasing number of competitors. New players, new partnerships and new technology solutions are constantly entering the market. In order to maintain its competitive advantage, the company will continue to invest heavily in research and development, and will have to retain key personnel.

Nstein products are state-of-the-art and nothing can guarantee that they will be adopted rapidly by its customers. The company has demonstrated that its products meet the needs of the e-publishing market, but does not have enough historical metrics to gauge the exact potential of its solutions for large organizations.

Proprietary technology

Nstein uses, and will continue to use, various measures such as copyrights, trademarks, trade secret laws, confidentiality agreements and other contractual clauses, to establish, patent, maintain and protect its intellectual property rights. Unauthorized parties may try to copy certain of the company's products or parts of these products, or seek to obtain proprietary information. With more competitors emerging, there is an increased risk of other firms trying to produce new products or replacement technologies.

Possible product liability

In view of their complexity, Nstein products may contain undetected errors or give rise to compatibility issues, especially when they are first introduced or when new versions are launched. Nothing guarantees that errors will not be found in new products after commercial delivery has begun. The company operates a stringent quality assurance program, with rigorous testing to minimize errors. Nstein has general liability insurance covering professional errors and omissions.

Credit risk

Financial instruments which potentially subject the company to concentrations of credit risk consist primarily of cash and cash equivalents, term deposits and accounts receivable. Cash and cash equivalents as well as term deposits are held with first class financial institutions. Consequently, management considers the risk of nonfulfilment related to these instruments to be minimal.

There is no particular concentration of credit risk. The company does not normally require collateral or other security from customers for trade accounts receivable; however, credit is only extended after evaluation of creditworthiness. In addition, the company performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts when balances are deemed to be uncollectible.

Currency risk

The company is exposed to currency risks as a result of its sales to foreign countries and the related trade accounts receivable. Most of these sales are denominated in US dollars and euros. The risks are partially hedged by purchases and operating expenses denominated in US dollars and euros.

Possible negative tax consequences

Nstein derives major benefits from government programs supporting research and development in Canada, particularly tax credits for scientific research and experimental development, and government funding. If changes in legislation or government policies respecting these programs result in their being cancelled or adversely modified, or if the company is no longer in a position to participate in them, its operating costs would increase substantially.

This analysis of Nstein's financial position and results of operations was prepared on April 28, 2006. More recent information about the company is published on the SEDAR Web site at www.sedar.com.



Robert Barakett
Executive Vice President and Chief Financial Officer

Management's Report

Nstein's management is responsible for the preparation, integrity and objectivity of the consolidated financial statements and other financial information presented in this Annual Report.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include some amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Nstein's policy is to maintain a system of internal accounting and administrative controls designed to provide reasonable assurance that the financial information is relevant, accurate and reliable, and that our assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that Management fulfills its financial reporting responsibilities and is ultimately responsible for reviewing and approving the financial statements. The Board carries out these responsibilities primarily through its Audit Committee.

The Audit Committee is appointed by the Board and is composed of outside directors. The Committee meets periodically with Management and external auditors to review accounting, auditing and internal control procedures.

These consolidated financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

The consolidated financial statements have been audited on behalf of shareholders by PricewaterhouseCoopers LLP, the external auditors, in accordance with generally accepted auditing standards. The external auditors have full and free access to the Audit Committee.



Mario Girard
Chairman and Chief Executive Officer



Robert Barakett
Executive Vice President and Chief Financial Officer

Montreal, (Quebec), Canada, April 28, 2006

Auditors' Report

To the Shareholders of Nstein Technologies Inc.

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

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

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

PricewaterhouseCoopers LLP

Chartered Accountants

Quebec, (Quebec), Canada

February 10, 2006, except for note 1 dated April 28, 2006

CONSOLIDATED BALANCE SHEETS[†] AS AT DECEMBER 31, 2005 AND 2004

	2005	2004
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,928,718	2,751,574
Term deposit (note 10)	164,600	164,600
Accounts receivable (note 5)	1,612,137	2,523,883
Refundable tax credits (note 9)	827,849	1,145,985
Work in process	451,639	52,107
Prepaid expenses	125,237	189,341
Current portion of balance receivable on the sale of software licenses (note 6)	178,327	-
	5,288,507	6,827,490
Balance receivable on the sale of software licenses (note 6)	165,996	-
Property, plant and equipment (note 7)	370,447	414,576
Intangible assets (note 8)	748,043	3,194,217
Deferred financing expenses (note 10)	343,500	113,047
Goodwill (note 4)	5,166,876	5,166,876
	12,083,369	15,716,206
Liabilities		
Current liabilities		
Bank loans (note 9)	248,952	-
Accounts payable and accrued liabilities	2,369,679	2,821,769
Deferred revenues	327,151	350,594
Current portion of long-term debt	2,064,542	665,104
	5,010,324	3,837,467
Long-term debt (note 10)	2,988,619	2,258,895
	7,998,943	6,096,362
Shareholders' Equity		
Share capital (note 11)	29,534,130	29,532,130
Other equity components (note 12)	2,160,640	995,810
Contributed surplus (note 12)	66,877	-
Deficit	(27,677,221)	(20,908,096)
	4,084,426	9,619,844
	12,083,369	15,716,206
Going concern (note 1)		
Commitments (note 13)		
Contingency (note 18)		

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

Approved by the Board of Directors



Mario Girard, Director



Marc Dutil, Director

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT[†]
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
	\$	\$
Revenues (note 17)	9,103,887	4,848,140
Cost of sales	4,818,093	1,837,468
	4,285,794	3,010,672
Expenses		
Selling and administrative	6,004,261	3,820,088
Research and development	2,235,809	2,159,733
Research and development tax credits	(818,972)	(637,423)
Depreciation of property, plant and equipment	137,533	138,706
Amortization of intangible assets	1,152,049	483,718
Loss (gain) on disposal of property, plant and equipment and intangible assets	(3,284)	18,248
Impairment of intangible assets (note 8)	1,306,444	-
Financial expenses (note 14a)	1,041,079	223,079
	11,054,919	6,206,149
Loss for the year	6,769,125	3,195,477
Deficit - Beginning of year	(20,908,096)	(17,513,995)
Adjustment resulting from a change in accounting policy (note3)	-	(198,624)
Restated deficit - Beginning of year	(20,908,096)	(17,712,619)
Deficit - End of year	(27,677,221)	(20,908,096)
Basic and diluted loss per share (note 3)	0.036	0.021
Basic and diluted weighted average number of shares outstanding	186,418,556	151,909,759
Going concern (note 1)		

[†] The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS[†]

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
	\$	\$
Cash flows from operating activities		
Loss for the year	(6,769,125)	(3,195,477)
Items not affecting cash and cash equivalents		
Sales of long-term financed licenses and related interest in excess of cash receipts	(344,323)	-
Interest capitalized on long-term debt	435,920	26,079
Exchange gain	-	(8,080)
Depreciation of property, plant and equipment	137,533	138,706
Amortization of intangible assets	1,152,049	483,718
Amortization of deferred financing expenses	283,197	30,576
Stock-based compensation costs	250,853	87,653
Loss (gain) on disposal of property, plant and equipment and intangible assets	(3,284)	18,248
Impairment of intangible assets	1,306,444	-
	(3,550,736)	(2,418,577)
Change in non-cash operating working capital items		
Accounts receivable	911,746	173,416
Refundable tax credits	318,136	420,867
Work in process	(399,532)	5,312
Prepaid expenses	64,104	52,875
Accounts payable and accrued liabilities	(322,173)	(836,611)
Deferred revenues	(23,443)	(205,517)
	548,838	(389,658)
	(3,001,898)	(2,808,235)
Cash flows from financing activities		
Variation in bank loans	248,952	(172,011)
Long-term debts contracted	3,657,301	300,000
Payments on long-term debt	(1,964,059)	(324,061)
Deferred financing expenses	(314,774)	-
Issuance of common shares, net of issue expenses	2,000	(149,483)
Other equity components, net of issue expenses	874,191	-
	2,503,611	(345,555)
Cash flows from investing activities		
Business acquisitions, net of cash and cash equivalents acquired	(222,130)	2,850,224
Additions to property, plant and equipment	(97,749)	(51,769)
Additions to intangible assets	(12,319)	(29,101)
Proceeds from the disposal of property, plant and equipment	7,629	28,326
	(324,569)	2,797,680
Decrease in cash and cash equivalents	(822,856)	(356,110)
Cash and cash equivalents – Beginning of year	2,751,574	3,107,684
Cash and cash equivalents – End of year	1,928,718	2,751,574
Additional information (note 14b and c)		

[†] The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 – Going concern

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. This assumes that the company will be able to realize its assets and discharge its liabilities in the normal course of business. The company's successful completion of its commercialization program and its transition, ultimately, to the attainment of profitable operations is dependent upon the company's ability to obtain adequate sources of financing until the company generates positive cash flow from operations. Management continues to review the company's revenue generating activities and its expenditure levels to increase net cash flows. In addition, management is in the process of reviewing various financing alternatives and, if necessary, will seek additional financing. Management believes that these actions, in conjunction with the expected sales growth, make the use of the going concern basis appropriate. However, it is not possible at this time to predict the outcome of these matters. If the going concern basis is not appropriate, adjustments might be necessary in the carrying amounts and/or classification of assets, liabilities and expenses in these financial statements.

On April 28, 2006, the company signed a binding letter of intent for an investment of \$10,000,000 in common shares to be issued, subject to customary closing conditions and regulatory approvals. The private placement is to be made jointly by Solidarity Fund QFL (the "Fund"), a significant shareholder of the company and J.L. Albright Venture Partners, an important Canadian venture capital firm. This investment, when completed, will provide the company with appropriate financial resources to intensively pursue the commercialization of its solutions. Moreover, this transaction, once executed, will substantiate the going concern assumption, on the basis of which the financial statements have been established. The new shares will be issued at a price equal to the market price less a discount. As part of the transaction, the lenders who participated in the October 2005 convertible debentures financing will waive most of the securities and covenants pertaining to the initial agreement (note 10a). These holders of convertible debentures will see their conversion price increase from \$0.14 to the price established for the new financing. On March 27, 2006, the company contracted a \$400,000 term loan from the Fund. This loan will be converted in common shares as part of the planned \$5,000,000 investment from the Fund.

Note 2 – Statutes and nature of activities

This company, incorporated in January 2000 under Part 1A of the Québec Companies Act, develops and markets leading edge software solutions for analyzing vast amounts of unstructured data in virtually all languages. Nstein's linguistic-based platform collects, organizes, analyzes, cross-examines, shares and translates data from any source, in real time. Nstein's enterprise search and information access solutions transform reactive decision making into a proactive and even predictive process, and solve mission critical problems faced by businesses and organizations.

Note 3 – Summary of significant accounting policies

Consolidation

These consolidated financial statements include the accounts of the company and those of its wholly-owned subsidiaries, Nstein R&D Inc., Nstein Technologies Corp., KMTechnologies Inc., Alis Technologies Inc. and Cabinet Conseil Valsar Inc.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the years. Significant estimates include the allowance for doubtful accounts receivable, refundable tax credits, the useful lives of property, plant and equipment and intangible assets, impairment of long-lived assets, certain accrued liabilities and derivatives evaluation. Actual results could differ from those estimates.

Foreign currency

Foreign currency transactions

Transactions denominated in currencies other than functional currency are translated into the functional currency as follows: monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenues and expenses are translated at the average rate for the year. Non-monetary assets and liabilities are translated at historical rates. Gains and losses arising from such translation are reflected in the statements of earnings.

Foreign subsidiaries

Foreign subsidiaries are considered to be integrated foreign operations. As a result, the foreign subsidiaries' accounts are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the average rate for the year. Gains and losses resulting from translation are reflected in the statements of earnings.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks as well as all highly liquid short-term investments having a term of less than three months at the acquisition date.

Property, plant and equipment

Property, plant and equipment are recorded at cost and are depreciated using the declining balance method calculated monthly at the rates mentioned in note 7, except for leasehold improvements which are depreciated using the straight-line method over a period of five years.

Intangible assets

Intangible assets are recorded at cost and are amortized using the declining balance or the straight-line methods using the rates and periods mentioned in note 8.

Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of the net identifiable assets acquired. Goodwill is not subject to amortization but is tested for impairment on an annual basis, or more frequently if events or circumstances indicate that it might be impaired. The recoverability of goodwill is established at the reporting unit level on the basis of a two-step impairment test. First, the net carrying value of a reporting unit is compared to its fair value, which is established on the basis of its market value. If the net carrying value of a reporting unit exceeds its fair value, the second step of the test must be performed. For this step, the amount of any goodwill impairment loss is the excess of the carrying value of goodwill over its fair value. This amount is charged to earnings in the period in which it is incurred. For purposes of this impairment test, the fair value of goodwill is estimated in the same way as during business acquisitions, meaning that it represents the excess of a reporting unit's fair value over the estimated fair value of its net identifiable assets. The company comprises a single reporting unit. The company has chosen to perform its annual impairment test in December of each year and noted no impairment loss for the years 2004 and 2005.

Deferred financing expenses

Deferred financing expenses relate to the contracted debts and the granting of warrants and are amortized over the term of the related financing (note 10).

Impairment of long-lived assets

Long-lived assets are reviewed for impairment when events or circumstances indicate that costs may not be recoverable. Impairment exists when the carrying value of an asset or a group of assets is greater than the undiscounted future cash flows expected to be provided by the

asset or group of assets. The amount of impairment loss is the excess of the carrying value over fair value. The fair value of those assets is determined by the discounted future cash flows. During fiscal 2005, some long-lived assets have been impaired (note 8).

Income taxes

The company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted income tax rates or future-enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. The company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

Tax credits

As a result of its eligibility for the Cité Multimédia Montréal Program, the company is entitled to a refundable tax credit of 40% on qualified salaries up to an annual maximum of \$15,000 per employee. Research and development tax credits and other tax credits are accounted for using the cost reduction method. Under this method, tax credits related to eligible expenditures are accounted for as a reduction of the related expenditures in the year in which the expenditures are incurred, provided their realization is reasonably assured. These tax credits could be subjected to a review and a possible adjustment by the Canadian federal and Quebec provincial tax authorities.

Revenue recognition, work in process and deferred revenues

The company recognizes revenues from the sale of software licenses and related post-contract customer support and other related services in accordance with Emerging Issues Committee Abstracts EIC-141 to 143 on revenue recognition. Fees from arrangements involving licenses, post-contract customer support and other related services are allocated to the various elements based on company-specific objective evidence of the fair value of each of the elements. Revenues from software licenses are recognized when there is persuasive evidence of a valid arrangement, the software product has been delivered, there are no uncertainties surrounding product acceptance, the related fees are fixed or determinable, and collection is considered probable. Revenues from post-contract customer support elements are recognized ratably over the related support period. Revenues from other related services are recognized as the services are performed using the percentage-of-completion method and all foreseeable losses are included in earnings, when it is determined that such losses are estimated to be likely to occur. Furthermore, amounts received for services not yet rendered are accounted for as deferred revenues in the balance sheet.

Research and development expenses

All expenses related to development activities, which do not meet generally accepted criteria for deferral, and research, are expensed as incurred, net of related tax credits and government grants. Development expenses which would meet generally accepted criteria for deferral would be capitalized, net of related tax credits and government grants, and would be amortized against earnings over the estimated period of benefit. As at December 31, 2005 and 2004, the company had not deferred any development costs.

Basic and diluted earnings per share

Basic earnings per share are determined using the weighted average number of participating shares outstanding during the year. Diluted earnings per share are determined using the weighted average number of participating shares outstanding during the year, plus the effects of dilutive potential participating shares outstanding during the year. The calculation of diluted earnings per share is made using the "if-converted" method for convertible debentures and using the treasury stock method for stock options and warrants, as if all dilutive potential shares had been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase participating shares of the company at the average market value of the participating shares during the year. For the years ended December 31, 2005 and 2004, the diluted loss per share was the same as the basic loss per share since the dilutive effect of stock options, warrants and convertible debentures was not included in the calculation; otherwise the effect would have been anti-dilutive. Accordingly, the diluted loss per share for those years was calculated using the basic weighted average number of shares outstanding.

Share issue expenses

Share issue expenses have been applied against the proceeds from the issuance of share capital.

Stock-based compensation and other stock-based payments

The company provides for a stock option plan, as described in note 11. In accordance with new CICA standards outlined in Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", the company adopted the recommendations retroactively on January 1, 2004, without restating prior years' result. Consequently, the deficit and other equity components were increased by \$198,624 on January 1, 2004.

Since January 1, 2004, the company has included in the financial statements a compensation charge for all forms of stock-based compensation granted to employees, based on the fair value method. The stock-based compensation charges are amortized over their acquisition periods.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.

Note 4 – Business combinations in 2004

a) KMTechnologies Inc.

On June 10, 2004, the company acquired all of the outstanding shares of KMTechnologies Inc. ("KM"). KM is a Canadian company developing Web solutions to share and manage documents, knowledge and client relationships. Under the terms of the agreement, the company issued 5,950,000 common shares, as well as warrants for the purchase of 1,000,000 additional common shares at \$0.40 per share valid for a 12-month period following the transaction, and at \$0.50 per share for an additional 12-month period. The fair value of those warrants is \$92,245 (note 11d). Except for the 150,000 issued shares, the shares were subject to a 9-month escrow from the closing date of June 10, 2004; with 15% of the shares in escrow to be released monthly, beginning three months after the closing date, until the release of all shares. The escrow period of the 150,000 shares issued is fifteen months; 25% of the shares in escrow were released monthly, twelve months after the closing date.

b) Alis Technologies Inc.

On September 1, 2004, the company acquired all of the outstanding shares of Alis Technologies Inc. ("Alis"), a company specialized in a multilanguage information solutions, helping large companies and organizations to efficiently communicate in a multilanguage environment and on the Internet. Under the terms of the agreement, the company issued 35,185,185 common shares. The shares were subject to a 24-month escrow from the closing date of September 1, 2004; 17% of the shares in escrow were released every four months after the closing date, until the release of all shares.

c) Cabinet Conseil Valsar Inc.

On September 7, 2004, the company acquired all of the outstanding shares of Cabinet Conseil Valsar Inc. ("Valsar"), a company specialized in information technology (IT) solutions for large companies and large organizations. Under the terms of the agreement, the company issued 12,053,846 common shares. The balance of the purchase price of \$576,000 (note 10) will be paid in a three-year period with yearly instalments of \$192,000 in either cash or common shares at an exercise price of \$0.26 per share, at the holder's option. The fair value of the debt at the acquisition date was \$492,095. The fair value of the stock option is \$266,779 (note 12).

The shares are subject to a 24-month escrow from the closing date of September 7, 2004. The shares in escrow are to be released as follows:

	%
Closing date	7.3
4 months after closing date	10.9
6 months after closing date	13.7
12 months after closing date	22.7
18 months after closing date	22.7
24 months after closing date	22.7
	<u>100.0</u>

A takeover of the company or the sale of Valsar will automatically release the shares.

These acquisitions were accounted for in 2004 using the purchase method and the results were consolidated from the acquisition date. The following table summarizes the purchase price allocation, including acquisition costs based on the estimated fair value of the net assets acquired, as at the dates of acquisition.

The purchase price was reduced by an average discount of 35% (determined by a third party) in order to consider the impact of the escrow on the share values and a blockage discount due to the large number of shares traded at a precise moment in a limited market.

	KM \$	Alis \$	Valsar \$	Total \$
Cash and cash equivalents	262,637	2,624,498	118,504	3,005,639
Other current assets	610,331	1,793,868	787,458	3,191,657
Property, plant and equipment	31,253	21,591	15,226	68,070
Intangible assets	651,984	2,257,000	718,000	3,626,984
Total assets acquired	1,556,205	6,696,957	1,639,188	9,892,350
Current liabilities	756,001	1,966,769	440,729	3,163,499
Long-term debt	696,170	464,893	-	1,161,063
Total assumed liabilities	1,452,171	2,431,662	440,729	4,324,562
Net identifiable assets acquired	104,034	4,265,295	1,198,459	5,567,788
Goodwill	1,405,209	2,097,988	1,663,679	5,166,876
Purchase price	1,509,243	6,363,283	2,862,138	10,734,664
Paid as follows:				
Common shares issued	1,294,000	6,175,000	2,037,000	9,506,000
Warrants issued	92,245	-	-	92,245
Balance of purchase price (fair value)	-	-	492,095	492,095
Fair value of the stock option	-	-	266,779	266,779
Business acquisition expenses	122,998	188,283	66,264	377,545
	1,509,243	6,363,283	2,862,138	10,734,664

Note 5 – Accounts receivable

	2005	2004
	\$	\$
Trade	1,472,179	2,367,897
Commodity taxes recoverable and other	139,958	155,986
	1,612,137	2,523,883

Note 6 – Balance receivable on the sale of software licenses

A balance of \$344,323, receivable in two equal annual payments of \$178,327, will mature on March 31, 2007. The long-term portion of \$165,996 consists of a non-interest bearing payment of \$178,327 capitalized at a rate of 6%.

Note 7 – Property, plant and equipment

	Depreciation rates and period	2005		2004	
		Cost	Accumulated depreciation	Cost	Accumulated depreciation
		\$	\$	\$	\$
Office furniture and equipment	20%	249,339	136,050	240,046	112,486
Computer equipment	35%	757,323	570,368	682,105	517,720
Leasehold improvements	5 years	262,145	191,942	262,145	139,514
		1,268,807	898,360	1,184,296	769,720
Less: Accumulated depreciation		898,360		769,720	
Net amount		370,447		414,576	

Note 8 – Intangible assets

	Amortization rates and periods	2005		2004	
		Cost	Accumulated amortization	Cost	Accumulated amortization
		\$	\$	\$	\$
Software	50%	225,485	190,582	213,166	171,540
Nstein software	50%	1,040,000	1,035,067	1,040,000	1,031,777
Product technology	4 years	655,857	415,652	1,221,000	110,402
Backlog	1 year	566,000	566,000	566,000	187,633
Customer relationship	5 years	851,192	432,191	1,548,000	122,591
Non-competitive agreement	2 years	228,507	179,506	273,000	43,006
		3,567,041	2,818,998	4,861,166	1,666,949
Less: Accumulated amortization		<u>2,818,998</u>		<u>1,666,949</u>	
Net amount		<u>748,043</u>		<u>3,194,217</u>	

Due to lower than expected sales levels or higher than expected expenses, the company had its intangible assets tested for impairment as at December 31, 2005. The analysis of cash flows expected from these elements revealed that the carrying value of some intangible assets initially established following the acquisition in 2004 of KMTechnologies Inc., Alis Technologies Inc. and Cabinet Conseil Valsar Inc. exceeded the fair value of these assets. The company therefore expensed an amount of \$1,306,444, which is accounted for in earnings as an impairment of intangible assets.

Note 9 – Bank loans

During fiscal 2005, two subsidiaries of the company contracted bank loans to finance a portion of their scientific research and experimental development tax credits. These loans, maturing in February and April 2006, bear interest at prime rate plus 1.75% and are repayable on receipt of the tax credits. A second moveable hypothec on the universality of one subsidiary's receivables and its present and future accounts receivable has been given as security for that subsidiary's loan. A moveable hypothec on all present and future assets, both tangible and intangible, has been given as security for the other subsidiary's loan.

Note 10 – Long-term debt

	2005	2004
	\$	\$
Term loans		
- Secured convertible debentures, non-interest bearing, issued at discount, payable in twenty monthly instalments of \$259,494 (US\$223,125) beginning February 28, 2006, maturing September 30, 2007. These debentures are also convertible into common shares at the holder's option under certain conditions a)	3,455,443	-
- Prime rate plus 2%, payable in monthly principal instalments of \$15,377 plus interest, guaranteed at 80% by Investissement Québec, maturing in August 2007. A moveable hypothec on all present and future assets, both tangible and intangible of a subsidiary, has been given as security	303,819	407,986
- Capitalized at 8%, with the National Research Council of Canada ("NRC"), payable in four annual instalments of \$104,450, starting on January 1, 2007, maturing in January 2010	343,654	317,317
- Capitalized at 10%, payable in monthly instalments of \$8,929, maturing in May 2013. A moveable hypothec on all present and future assets, both tangible and intangible of the subsidiary, has been given as security	517,944	470,879
- 10%, for which a letter of credit in the amount of \$164,600 has been issued, payable in monthly instalments of \$1,538 including principal and interest, maturing in August 2011. A moveable hypothec on a deposit certificate in the amount of \$164,600 has been given as security for the letter of credit	79,576	89,525
- Balance on purchase price of a subsidiary (note 4c), capitalized at 7%, payable in three annual instalments of \$192,000, maturing in September 2007	352,725	505,349
Reimbursed during the year b)	-	1,132,943
	5,053,161	2,923,999
Less: Current portion	2,064,542	665,104
	2,988,619	2,258,895

a) On October 12, 2005, the company obtained financing from American institutional investors. The company issued non-interest bearing debentures with a par value of US\$4,375,000 at a discount rate of 20% for a net amount of US\$3,500,000. These debentures are valid for a 24-month period and are payable over 20 months starting February 28, 2006 and ending September 30, 2007, in monthly cash payments of US\$223,125 or in common shares (at the lesser of 90% of the weighted average trading price of the five days preceding the payment or \$0.14 per share) or a combination of the two depending on the predefined terms of the contract. First universal hypothecs on all present and future assets of the company and some of its subsidiaries has been given as security for this loan. These debentures are also convertible into common shares at the holder's option at a rate of \$0.14 per share. However, this rate may be adjusted given certain circumstances; for example, if the company issues shares, options or convertible securities at a price lower than \$0.14 per share, the conversion price will be reduced by a corresponding amount.

The company also issued to debenture holders 11,668,650 warrants to acquire common shares at \$0.18 per share during a five-year period. The exercise price and the number of shares to be issued can also be adjusted should circumstances arise similar to those described above.

This financing includes a liability component and equity components, namely conversion options and warrants. The net amount received was allocated to these elements on the basis of their respective fair values. The amount allocated to the liability component is \$3,154,560, the one allocated to the conversion option is \$501,140, and the one allocated to warrants is \$440,350. The values used to allocate amounts have been calculated using a combination of the Black-Scholes model (for the conversion option and the warrants) and the discounted cash flow (for the liability component) of future payments of the debt until maturity. The 25% discount rate used represents the estimated rate at which the company can contract a guaranteed debt without issuing warrants and without offering conversion privileges.

Under this financing, the company issued to a brokerage firm, as compensation, 2,041,900 warrants at a price of \$0.1527 per share, expiring two years after the signing of the contract. The fair value of the warrants, set at \$54,167 (note 11d), has been valued using the

Black-Scholes model and has been recorded as issue expenses. Moreover, the company paid this same firm a commission equal to 7% of the amount received. These expenses, together with the legal fees and other costs incurred to obtain this financing, have been allocated to the liability and equity components of the financing, on the basis of their respective fair values. The costs related to the liability component have been recorded as deferred financing expenses, while those related to the equity components went towards reducing the carrying value of those components. Thus, the net carrying values of conversion options and warrants, net of issue expenses, are \$436,486 and \$383,538 respectively (notes 11d and 12).

The company records interest expense over time so that the value of the debt corresponds to the amount of loan payments. Interest of \$323,142 has been recorded for the year ended December 31, 2005.

Under this financing, the company must deposit in a separate bank account its research and development tax credit refunds. A minimum of \$1,000,000 must be deposited in this account on April 30, 2006 and an amount of \$1,550,000 on April 30, 2007. The company may not use these sums without the permission of the debenture holders.

The fair value of these equity elements was established using the following assumptions:

	Conversion option	Warrants	Brokerage firm's warrants
Risk-free interest rate	3.33% (i)	3.69%	3.41%
Expected volatility	80%	80%	80%
Dividend yield	nil	nil	nil
Expected life	2 years	5 years	2 years

(i) weighted average

b) On November 27, 2003, the company also accepted a financing offer from the Bank of Montreal, consisting of a term loan of \$2,250,000, guaranteed at 80% by La Financière du Québec. In consideration for the loan guarantee, the company agreed to grant warrants to La Financière du Québec, allowing to acquire 2,649,429 newly issued shares at \$0.13 per share. These warrants are valid for a period of five years. An amount of \$1,000,000 was disbursed upon closing and amounts of \$300,000 and \$525,000 were disbursed respectively during the years ended December 31, 2004 and 2005. The total fair value of the warrants related to the disbursed financing was estimated at \$252,627 (\$145,964 in 2004) using the Black-Scholes valuation model. The value of the warrants was accounted for in the balance sheet as deferred financing expenses. The corresponding credit was recorded under "Other equity components". On October 12, 2005, following the financing described in point (a), the company proceeded to a complete reimbursement of this debt.

The annual principal instalments required on long-term debt over the next five years amount to \$2,064,542 in 2006, \$2,270,598 in 2007, \$183,412 in 2008, \$191,773 in 2009 and \$126,875 in 2010.

Note 11 – Share capital

Authorized:

- Unlimited number of common shares, without par value, voting and participating
- Unlimited number of preferred shares, without par value, non-voting and non-participating

The following table presents the share capital activity of the company during the years ended December 31, 2005 and 2004:

	2005		2004	
	Number	Amount \$	Number	Amount \$
Balance – Beginning of year	186,402,292	29,532,130	132,838,594	19,954,649
Exercised stock options	20,000	2,000	374,667	71,481
Business combinations (note 4)	-	-	53,189,031	9,506,000
Balance – End of year	186,422,292	29,534,130	186,402,292	29,532,130

Stock option plan

a) Under the plan

In June 2000, the company established a stock option plan for directors, employees and service suppliers of the company or its subsidiaries. All the options granted under the plan may be exercised within a maximum period of ten years following the date of grant. The Board of Directors will designate the recipients of options and will determine the number of common shares covered by each of these options, the vesting date, the exercise price, the expiry date, the acquisition conditions and the restrictions related to the exercise of these options. The purchase price of these shares may not be lower than their closing price on the day preceding the date of grant. The maximum number of common shares that is issuable under the plan was fixed at 18,640,000 common shares and the maximum number that may be granted to a recipient shall not exceed 5% of all the outstanding common shares.

The company's directors have agreed that options might generally be exercised at a rate of 20% to 33% per annum from the first anniversary of the date of grant, except for options granted to directors and service suppliers, which are exercisable on the date of grant or according to specific agreements.

The following tables present the stock option activity since January 1, 2004 and summarize information about fixed stock options outstanding and exercisable as at December 31:

	2005		2004	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of year	9,096,200	0.38	6,379,534	0.46
Granted	6,350,000	0.16	5,795,000	0.25
Exercised	(20,000)	0.10	(374,667)	0.19
Cancelled	(655,000)	0.32	(2,703,667)	0.32
Outstanding – End of year	14,771,200	0.29	9,096,200	0.38
Options exercisable – End of year	4,652,200	0.51	2,938,149	0.69
	Options outstanding as at December 31, 2005		Options exercisable as at December 31, 2005	
Exercise price	Number	Weighted average remaining contractual life	Number	Weighted average remaining contractual life
\$0.10	1,145,000	4.14	500,000	4.19
\$0.12	3,100,000	4.96	-	-
\$0.14	1,200,000	2.90	600,000	2.90
\$0.18	750,000	4.61	-	-
\$0.20	2,000,000	4.38	-	-
\$0.21	900,000	3.82	225,000	3.82
\$0.22	500,000	4.17	200,000	4.17
\$0.28	2,520,000	3.92	880,000	3.90
\$0.30	1,193,400	3.19	811,400	3.20
\$1.00	125,000	4.45	125,000	4.45
\$1.10	1,287,800	1.98	1,260,800	1.98
\$2.97	50,000	4.45	50,000	4.45
	14,771,200		4,652,200	

b) Accounting for stock-based compensation plans

During the year ended December 31, 2005, the company granted its employees and services suppliers 6,350,000 stock options. The fair value of these stock options amounts to \$566,326. The compensation charge for the year ended December 31, 2005 was \$250,853, including amortization based on the graded vesting method for grants since January 1, 2002.

The fair value of options granted in each fiscal year has been established using the Black-Scholes options pricing model with the following weighted average assumptions:

	2005	2004
Risk-free interest rate	3.66%	3.46%
Expected volatility	80%	78%
Dividend yield	nil	nil
Expected life	42 months	45 months

The Black-Scholes options valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions, and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility.

Warrants

c) The following table presents the warrants activity during the years ended December 31, 2005 and 2004:

	2005		2004	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of year	4 530 782	0.17	3 324 715	0.11
Granted	14 829 197	0.17	1 206 067	0.35
Outstanding – End of year	19 359 979	0.18	4 530 782	0.17

1,000,000 warrants exercisable at \$0.40 per share as at December 31, 2004 have not been exercised before June 10, 2005, and are now exercisable at \$0.50 since that date. This increased by \$0.01 the weighted average exercise price of those outstanding warrants at year-end.

d) The following table presents the fair value of warrants using the Black-Scholes model:

	2005	2004
	\$	\$
2,000,000 warrants at \$0.10, expiring on November 28, 2008	204,545	204,545
2,649,429 (1,530,782 in 2004) warrants at \$0.13, expiring on October 13, 2007 (note 10b)	252,627	145,964
1,000,000 warrants at \$0.50 (\$0.40 in 2004), expiring on June 10, 2006 (note 4a)	92,245	92,245
11,668,650 (nil in 2004) warrants at \$0.18, expiring on October 12, 2010 (note 10a)	383,538	-
2,041,900 (nil in 2004) warrants at \$0.1527, expiring on October 12, 2007 (note 10a)	54,167	-
	987,122	442,754

Note 12 – Other equity components

The following table presents the other equity components:

	2005	2004
	\$	\$
Long-term debt's convertible option (note 10a)	436,486	-
Stock option related to business combinations (note 4c)*	199,902	266,779
Stock-based compensation	537,130	286,277
Warrants (note 11)	987,122	442,754
	2,160,640	995,810

* During the year, an amount of \$66,877 was transferred to contributed surplus in order to represent the unexercised portion of the option following the cash payment of the debt.

Note 13 – Commitments

Use of offices

The company's aggregate commitments under lease agreements for offices total \$2,068,928 and amount to \$379,928 in 2006 and \$361,928 from 2007 to 2010.

Research agreement

The company's minimum aggregate commitments under a research agreement entered into in 2003 with the Université de Montréal amount to \$45,000, which is fully payable in 2006. Furthermore, the company put at the Université de Montréal's disposal, free of charge, two copies of its software, including customer support, and this, throughout the term of the agreement.

Note 14 – Additional information

Statement of earnings

a) Financial expenses

	2005	2004
	\$	\$
Amortization of deferred financing expenses	283,197	30,576
Interest on long-term debt	552,566	138,950
Interest and bank charges	130,945	72,438
Interest income	(36,598)	(52,217)
Exchange loss	110,969	33,332
	1,041,079	223,079

Statement of cash flows

b) Items not affecting cash and cash equivalents related to financing and investing activities

	2005	2004
	\$	\$
Last year's business acquisition expenses paid in the current year	222,130	220,964
Deferred financing expenses payable included in accounts payable and accrued liabilities	92,213	-
Business acquisition expenses payable included in accounts payable and accrued liabilities	-	222,130
Common shares issued in consideration of business combinations (note 4)	-	9,506,000
Warrants issued (note 11)	106,663	111,896
Balance of purchase price of a subsidiary (note 4c)	-	492,095
Fair value of stock option (note 4c)	-	266,779

c) Additional information

	2005	2004
	\$	\$
Interest paid	116,647	113,710
Interest cashed	(25,572)	(60,325)

Note 15 – Financial instruments

Fair value

Cash and cash equivalents, term deposit, accounts receivable, balance receivable on the sale of software licenses, bank loans, accounts payable and accrued liabilities and long-term debt are financial instruments whose fair value approximates their carrying value due to their short-term maturity or current market rates.

Credit risk

Financial instruments which potentially subject the company to concentrations of credit risk consist primarily of cash and cash equivalents, term deposit and accounts receivable. Cash and cash equivalents as well as a term deposit are held with high-credit quality financial institutions. Consequently, management considers the concentration of credit risk related to these instruments to be minimal.

There is no particular concentration of credit risk. Generally, the company does not require collateral or other security from customers for trade accounts receivable; however credit is extended following an evaluation of creditworthiness. In addition, the company performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts receivable when accounts are determined to be uncollectible.

Interest rate risk

As at December 31, 2005, the company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Fixed and variable interest rate
Term deposit	1.65%
Accounts receivable	Non-interest bearing
Balance receivable on the sale of software licenses	As described in note 6
Bank loans	As described in note 9
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	As described in note 10

Currency risk

The company is exposed to currency risks as a result of its export sales and the related trade accounts receivable. Substantially all of these sales are denominated in US dollars. These risks are partially hedged by purchases and operating expenses denominated in that foreign currency.

Note 16 – Future income taxes

The reconciliation of the income tax provision, calculated using the combined Canadian federal and provincial statutory income tax rate, with the income tax provision per the financial statements is as follows:

	2005	2004
	\$	\$
Income tax provision at combined Canadian federal and provincial statutory tax rate (31.02% in 2005 and 2004)	(2,100,000)	(990,000)
Increase (decrease) due to:		
Fiscal losses and other deductions where no future income tax assets are recognized	2,110,000	890,000
Expiration of fiscal losses	560,000	50,000
Difference between statutory and future income tax rates	(860,000)	-
Variation of deferred losses in foreign currencies related to Canadian dollar appreciation	400,000	-
Non-deductible expenses or non-taxable revenues	100,000	50,000
Others	(210,000)	-
	-	-

Significant components of the company's future income tax assets and liabilities are as follows:

	2005	2004
	\$	\$
Future income tax assets		
Property, plant and equipment	1,480,000	1,480,000
Intangible assets	1,340,000	1,260,000
Research and development	5,220,000	4,750,000
Financing expenses	150,000	220,000
Deferred losses	16,400,000	14,740,000
	24,590,000	22,450,000
Valuation allowance	(24,410,000)	(22,300,000)
	180,000	150,000
Future income tax liabilities		
Research and development tax credits	(180,000)	(150,000)
Net future income tax assets	-	-

As at December 31, 2005, the company and its subsidiaries had available operating losses in several tax jurisdictions, against which a valuation allowance of \$16,300,000 was established. The following table summarizes the year of expiry of these operating losses by tax jurisdiction:

Year of expiry	Canada		United States and Other
	Federal	Provincial	
	\$	\$	
2006	8,370,000	8,960,000	-
2007	3,690,000	4,930,000	-
2008	11,310,000	9,980,000	-
2009	7,530,000	7,230,000	-
2010	3,730,000	3,580,000	-
2014	3,950,000	3,960,000	-
2015	3,270,000	3,260,000	-
2016	720,000	720,000	-
2019	-	-	40,000
2020	-	-	110,000
2021	-	-	240,000
2022	-	-	2,000,000
2023	-	-	800,000
2024	-	-	970,000
2025	-	-	690,000
Indefinite	-	-	1,930,000
	42,570,000	42,620,000	6,780,000

During the year 2005, losses of \$1,765,068 at the federal (\$147,537 in 2004) and \$1,555,173 at the provincial (\$139,527 in 2004) have expired.

In addition to the operating losses, as at December 31, 2005, the company had available research and development expenses in Canada amounting to \$11,500,000 at the federal and \$23,590,000 at the provincial, against which a valuation allowance of \$5,220,000 was established. These expenses can be carried forward indefinitely against future years' taxable income in their respective tax jurisdiction. Also, investment tax credits of \$1,630,000 at the Canadian federal level can be used to reduce income taxes in future years expiring between 2006 and 2014.

Finally, a subsidiary of the company accumulated capital losses of \$590,000 at the federal and provincial Canadian levels, for which a valuation allowance of \$100,000 was established. These losses can be reported indefinitely against future capital gains.

Note 17 – Segment information

The company is organized under a single operating segment, namely the sale of software solutions and related post-contract customer support. Substantially all of the company's property, plant and equipment are located in Canada.

Revenues by geographic region are detailed as follows:

	2005	2004
	\$	\$
United States	2,522,886	1,355,509
Canada	5,075,908	2,915,153
Europe	1,505,093	577,478
Total	9,103,887	4,848,140

Revenues are allocated to geographic regions based on the country of residence of the related customers.

Two customers represent 21% (the same two customers represented 22% in 2004) of the company's total sales. As at December 31, 2005, these customers represent 21% of the company's accounts receivable (the same two customers represented 31% in 2004).

Note 18 – Contingency

The company, in conjunction with an institution, faces a lawsuit for an amount of \$885,000. Management believes that the lawsuit is unfounded; accordingly, no accrual has been recorded in this respect.

Board of Directors and Management Team

Board of Directors

Mario Girard (since 2000)
Chairman of the Board and Chief Executive Officer, Nstein Technologies Inc.
Director of Amadeus International Inc.

Rainer Busch (since 2005)
Founder and Managing Partner, Mercury Partners

Richard Drouin (since 2000)
Director of Abitibi Consolidated (Chairman), Addenda Capital Inc., the North American Electric Reliability Council (NERC) (Chairman), American Superconductor Corporation and Laval University (Chairman). Fellow of the Royal Canadian Geographical Society. Officer of the Order of Canada. Officer of the *Ordre national du Québec* (Order of Quebec). Honorary Consul of Great Britain in Quebec.

Pierre Ducros (since 2001)*
President, P. Ducros & Associates Inc.
Director of ManuLife Financial; Cognos Inc.; Emergis Inc.; Telus Corporation and Rona Inc.
Officer of the Order of Canada and Officer of the *Ordre de la Couronne* of Belgium.

Marc Dutil (since 2000)
President and Chief Operating Officer, Canam Group Inc.
Director of Canam Group Inc. and CD Howe Institute

Management Team

Mario Girard
Chairman of the Board and Chief Executive Officer

Denis Lavallée
Vice President, Sales and Business Development

Robert Barakett
Executive Vice President & Chief Financial Officer

Michel Lemay
Vice President, Marketing

Jean-François Desaulniers
President, Valsar Consulting Group

Laurent Proulx
Senior Vice President and Chief Technology Officer

Michel Guilbot
President and General Manager, Nstein Technologies Europe

Gaston Thibault
Vice President, Professional Services

Corporate Secretary

Stéphanie Benoit
Legal Counsel and Corporate Secretary

* Will not be a candidate for election to the Board of Directors on May 23rd, 2006.

Stock Exchange Listing	TSX Venture Exchange (TSX-V), under the "EIN" symbol
Auditors	PricewaterhouseCoopers LLP
Legal Counsel	Ogilvy Renault, LLP
Transfer Agents and Registrar	CIBC Mellon Trust Company

Shareholder and Investor Information



Investor Relations	Mr. Robert Barakett Executive Vice President and Chief Financial Officer Phone: (514) 908-5406 Fax: (514) 908-5407 Toll free: (877) 678-3461 E-mail : robert.barakett@nstein.com
--------------------	---

Communications	Mme Rina Marchand Marketing Manager Phone: (514) 908-5406 Fax: (514) 908-5407 Toll free: (877) 678-3461 E-mail : rina.marchand@nstein.com
----------------	--

Annual Meeting	The annual and special meeting for Nstein Technologies Inc. shareholders will be held on Tuesday, May 23, 2006 at 10:30 a.m. (Eastern Time) at the room Hochelaga 5 of the Fairmount Queen Elizabeth - 900 Rene-Levesque blvd W, Montreal, Quebec Canada H3B 4A5
----------------	--

www.nstein.com



Nstein Technologies Inc.
75 Queen Street, Suite 4400
Montreal, Quebec
Canada H3C 2N6

Phone: (514) 908-5406

Fax: (514) 908-5407

Toll free: (877) 678-3461

Email: info@nstein.com