

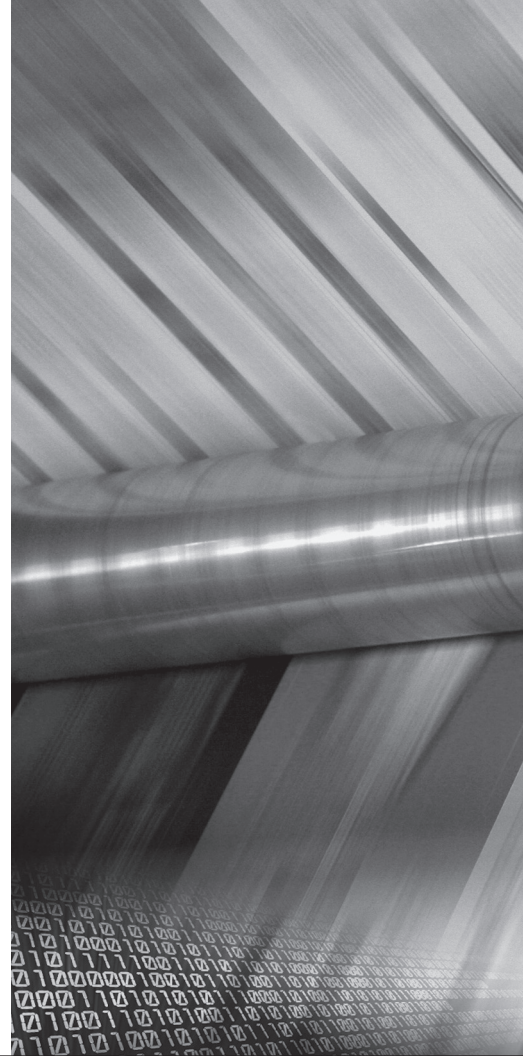


Powering Online Publishing

Quarterly Report

1st quarter ending March 31, 2008

2008



Message from the President and CEO

Nstein once again saw an increase in its revenues during the first quarter of 2008. This growth is the result of the Company's intense efforts over the past year to reinforce its leadership in the e-publishing market. Revenues for the first three months of the year were \$6.03 million, up 59% over the \$3.8 million recorded a year earlier. Nstein built on this momentum by signing four new deals, three of which are valued at more than \$500,000 each.

Nstein posted a loss before financial expenses, income taxes on earnings, depreciation, amortization, exchange loss and restructuring fees (EBITDA) of \$467,026, compared to a negative EBITDA of \$194,525 for the first quarter of 2007. The slight drop in the EBITDA in the first quarter can be explained by the additional investments made in the Company's sales force in order to speed up revenue growth and market development in North America, the United Kingdom and France. This is part of Nstein's strategy to constantly fine-tune its corporate structure in line with its objective of being a dominant and prosperous player in the e-publishing industry.

Acquisition of Picdar

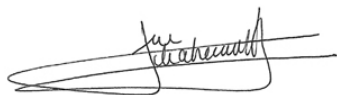
The acquisition of Picdar, the U.K.'s leading provider of picture and digital asset management, was made official on February 13, 2008. The transaction occurred six weeks before the end of Q1 and Picdar's revenues contributed for 12% of the total revenues posted during the quarter.

With Picdar on board, Nstein now has access to a very prestigious portfolio of media clients in the U.K. and has increased its market share in Europe. The Company has already made significant strides in many of the operational and technological aspects of the integration process, which is in the capable hands of Louis Mousseau, formerly Nstein's Vice President, Corporate Development, and now Managing Director of the Nstein Technologies in Europe. In this new role, Louis is in charge of all of Nstein's European operations. He will soon be relocating to London to directly supervise development activities and build Nstein's visibility in the European market.

Recent developments

Nstein recently hosted the Nstein Innovation Leaders Summit 2008 (May 14-16), the first conference directed at users of Nstein solutions. The event was a resounding success and was attended by 120 current and potential clients from around the world, as well as a number of renowned speakers. Media industry leaders engaged in an open dialogue about effective business strategies for getting ahead in today's Google®-disrupted world and a market where online consumers are more and more self-directed. Participants also explored the positive impact Nstein solutions can have in this context.

The next few quarters will be devoted to consolidating Nstein's status as a leader in online publishing solutions and to broadening its offering through the development of new modules and the creation of updated versions of our existing software. Nstein's strong growth is supported by a seasoned management team and an exceptionally talented group of employees. These are tremendous assets and are sure to help create value for Nstein's shareholders.



Luc Filiatreault
President and Chief Executive Officer

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 the three-month period ended March 31, 2008. It also compares results of operations and cash flows for the three-month period ended March 31, 2008 to those for the previous fiscal year.

The analysis should be read in conjunction with the audited consolidated financial statements as at December 31, 2007, 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 multilingual solutions that power online publishing for the most prestigious newspapers, magazines, and content-driven organizations. Nstein's solutions generate new revenue opportunities and reduce operational costs by enabling the centralization, management and automated indexing of digital assets. Nstein partners with clients to design a complete online strategy for success using publishing industry best practices for the implementation of its Web Content Management, Digital Asset Management, Text Mining Engine and Picture Management Desk products. www.nstein.com

Strategy

Since its inception, the Company has been committed to developing and marketing online publishing solutions that accelerate and improve multilingual search and content repurposing operations. Its solutions are the result of many years of experience with digital content publishers, who were the first to recognize the impact of the technologies offered by Nstein on their firms' profitability. The recent acquisition of Picdar Group Ltd in the United Kingdom has enabled the Company to integrate new features to its product offering in addition to access to a large pool of existing Picdar customers, to which other components of Nstein's solutions may be sold.

In 2008, the Company intends to continue to develop and commercialize these solutions, for which the market has been very receptive. These solutions allow publishers to migrate rapidly their publications from paper to Web, which is crucial to ensure their success. Since the amounts allocated to the Web by advertisers are constantly increasing at the expense of the amounts allocated to print publications, publishers must offer their content to their readers quickly via websites equipped with the latest features.

The Company will also pursue its research activities to further refine its technologies and identify other promising markets for its online publishing solutions.

Business combination

On February 13, 2008, the Company acquired all of the outstanding shares of Picdar Group Ltd ("Picdar"), a digital asset and image management solutions provider in the United Kingdom (the "Transaction") for a purchase price equivalent to the sum of (i) the business value of the company established between \$6,617,700 and \$9,275,810 (between £3,375,000 and £4,730,625) and (ii) the surplus working capital estimated at closing at \$4,472,255 (£2,280,832). An amount of \$6,617,700 (£3,375,000) was paid upon closing of the transaction and

the balance of the value of the company, up to \$2,658,110 (£1,355,625), is payable in annual instalments beginning March 31, 2008 based on the achievement of the target future revenues and EBITDA. Each instalment is composed of a 75% portion in cash and cash equivalents and 25% in newly issued shares of the Company at a unit price set according to the weighted average price of the Company's last 20 trading days on the TSX Venture Exchange immediately preceding each payment date. The surplus working capital is payable in cash and cash equivalents, a first instalment of \$3,419,841 (£1,744,105) having been paid upon closing of the transaction and the balance of \$1,052,414 (£536,727) having been paid on receipt of the closing financial statements in April 2008. On February 13, 2008, the Company proceeded to issue 1,835,480 common shares in initial payment of the purchase price. The issued shares are subject to escrow conditions and will be released quarterly over a period of twenty-four (24) months.

Key performance indicators

Nstein evaluates its company-wide performance 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.

Selected annual information

	Three months ending March 31	
	2008	2007
	\$	\$
Revenues	6,029,231	3,803,874
EBITDA*	(467,026)	(194,525)
Loss	(891,890)	(638,596)
Basic and diluted loss per share	(0.019)	(0.019)

* Definition of EBITDA: Earnings (loss) before financial expenses, exchange loss, income tax, depreciation, amortization, restructuring fees 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 slight decline of the EBITDA in this first quarter is due to the increased investments required in the sales force to accelerate the growth of the Company's revenues and its developing markets, as much in North America as in the United Kingdom and France.

Operating results

Revenues

For the period ended March 31, 2008, the Company recorded revenues of \$6,029,231, representing an increase of 59% compared to revenues of \$3,803,874 realized in the corresponding previous period. This rise in revenue is mainly due to the increase in the number of sales of online content management solutions (software licenses and implementation services) during the first quarter of 2008. The Company derives most of its revenues from the sale of software user licenses, post-sales technical support and specialized services. Given the high unit price of its software licenses, the Company's results are materially affected when sales shift to a subsequent quarter.

Cost of sales, net of tax credits

The cost of sales comprises human resources assigned to the various projects (employees and external consultants), as well as third-party software charges. The cost of sales net of tax credits rose 39% to \$2,524,414 or 42% of revenues for the quarter ended March 31, 2008, compared to \$1,810,372 or 48% of revenues for the corresponding period ended March 31, 2007. The cost of sales generally varies according to the composition of revenues, since direct costs are lower for revenues from the sale of software user licenses compared to revenues from the provision of services.

Due to its eligibility for the Cité Multimédia Montréal Program, the Company is entitled to a 40% refundable tax credit on eligible salaries up to an annual maximum of \$15,000 per employee. These tax credits, applied against the cost of sales, amounted to \$75,000 for the first

quarter of 2008, compared to \$44,976 in 2007. This increase in tax credits is related to the growth of staff levels assigned to delivery of our solutions.

Upon tabling the budget on March 13, 2008, the Government of Québec announced the introduction of a new information technology tax credit, which could allow the Company to continue to benefit from assistance comparable to the Cité Multimédia Montréal Program, which expires in August 2009.

Selling and administrative expenses

Selling and administrative expenses are mainly composed of employee compensation costs, 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 \$3,027,673 or 50% of revenues for the quarter ended March 31, 2008, compared to \$1,785,958 or 47% of revenues for the corresponding period last year. This increase mainly results from the hiring of employees to accelerate commercialization of our solutions.

Research and development expenses, net of tax credits

Research and development expenses mainly comprise the cost of human resources assigned to the various projects. Research and development expenses, net of tax credits, amounted to \$944,170 or 16% of revenues for the quarter ended March 31, 2008, compared to \$402,069 or 11% of revenues for the corresponding period of 2007. This increase in costs is attributable to the hiring of employees to accelerate introduction of new features within the Company's solutions. In addition, a significant portion of the work time of employees of the research and development team in place in the first quarter of 2007 was devoted to the establishment of our solutions among new customers, reducing the costs of research and development. In 2008, Nstein intends to pursue the refinement of its cutting-edge content management solutions for the media and e-publishing industry.

The Company also benefits from scientific research and experimental development tax credits. These tax credits, presented in reduction of research and development expenses, amounted to \$215,797 for the first quarter of 2008, compared to \$60,624 in 2007.

Amortization of intangible assets

Intangible assets consist of acquired technologies, client acquisition costs, client relationships, software licenses and non-competition agreements. Amortization of intangible assets increased 62% from \$110,594 for the first quarter of 2007 to \$178,737 for the first quarter of 2008. Following the acquisition of Picdar in February 2008, the Company recorded intangible assets of \$3,046,103, which explains the increase in amortization expenses compared to the first quarter of 2007.

Exchange gain and loss

The Company recorded a foreign exchange gain of \$164,120 for the first quarter of 2008, compared to a gain of \$7,635 for the same quarter in 2007. The depreciation of the Canadian dollar during the first quarter of 2008 resulted in an exchange gain on cash and on accounts receivable denominated in US dollars and Euros.

Financial expenses

The Company earned financial revenues of \$65,499 in the first quarter of 2008, compared to costs of \$297,262 for the same quarter in 2007. This improvement stems mostly from interest charges and the amortization of debt-related deferred charges through convertible debentures for which the last payment was made on August 31, 2007. Moreover, in the first quarter of 2008, the Company realized interest income of \$97,114 due to a favourable cash position resulting primarily from financing completed in November 2007.

Restructuring fees

During the first quarter, the Company incurred an expense of \$419,156 for non-recurring restructuring fees. These fees consist mainly of the severance and other payroll benefits paid to former employees, including a founder. These amounts include a \$60,940 expenditure related to the value of these individuals' stock options. The costs were not paid and are included in accounts payables.

Loss

Nstein recorded a loss of \$891,890 or \$0.019 per share for the three-month period ended March 31, 2008, compared to a loss of \$638,596 or \$0.019 per share for the corresponding previous period. Despite a marked increase in revenues compared to 2007, the loss has increased due to higher costs of sales and administration, research and development and restructuring costs.

Selected quarterly financial information

	First Quarter \$	Fourth Quarter \$	Third Quarter \$	Second Quarter \$
Quarter ending on	Mar 31, 2008	Dec 31, 2007	Sep 30, 2007	Jun 30, 2007
Revenues	6,029,231	6,268,163	4,092,092	4,007,729
EBITDA*	(467,026)	555,970	(84,025)	(144,315)
Loss	(891,890)	109,713	(291,195)	(1,010,003)
Basic and diluted loss per share	(0,019)	0,003	(0,008)	(0,028)
Quarter ending on	Mar 31, 2007	Dec 31, 2006	Sep 30, 2006	Jun 30, 2006
Revenues	3,803,874	3,888,532	2,814,214	1,961,173
EBITDA*	(194,525)	(302,804)	(535,526)	(1,140,003)
Loss	(638,596)	(638,330)	(1,043,755)	(1,679,409)
Basic and diluted loss per share	(0,019)	(0,020)	(0,033)	(0,079)

* Definition of EBITDA: Earnings (loss) before financial expenses, exchange loss, income tax, depreciation, amortization, restructuring fees 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 March 31, 2008, cash and cash equivalents amounted to \$9,502,565, compared to \$11,730,855 as at December 31, 2007.

Cash flows

Operating activities

Operating activities generated \$766,576 in cash flows in the first quarter of 2008, compared to a utilization of \$639,913 for the same period last year. This change is attributable to the significant increase in deferred revenues in 2008, resulting from billing in this period for the annual maintenance costs at several clients. In addition, the Company has received tax credits for the year 2006.

Financing activities

Financing activities used cash flows of \$623,616 in the first quarter of 2008, compared to \$285,487 for the same quarter in 2007. During the quarter ended March 31, 2008, the Company reimbursed a bank loan regarding 2006 tax credits receivable, which were collected during the first quarter of 2008.

The payments on the debt amounted to \$153,595 during the quarter, compared to \$295,774 in 2007. The difference is explained by the payments on the convertible debentures made during the first quarter of 2007, the last monthly payment regarding this debt having been made in August 2007.

Investing activities

Cash flows used in investing activities amounted to \$2,371,250 for the three-month period ended March 31, 2008, compared to an increase in cash of \$687,378 for the same period in 2007. This difference is mainly due to the use of cash for the acquisition of Picdar. In 2007, the increase in liquidity was due to cash subject to a management agreement, which had declined by \$720,661 during the period, following the repayments made in respect of convertible debentures.

Based on rational assumptions, the Company's forecast provides confidence that its current financial resources, combined with cash flows from operations, will be sufficient to allow it to attain its objectives and preserve its financial autonomy in the foreseeable future.

Contractual obligations

(In Canadian dollars)

	Total \$	Less than 1 year \$	1 to 3 years \$	Installments payable, by period	
				4 to 5 years \$	Over 5 years \$
Balance of purchase price of a subsidiary	1,761,599	1,761,599	-	-	-
Long-term debt	980,062	322,422	448,331	209,310	-
Use of offices	3,282,414	850,396	1,718,815	505,372	207,831
Royalties on revenues of software licenses	196,875	196,875	-	-	-

Shareholders' equity

On May 22, 2008, the Company had 51,013,854 commons shares, 3,478,953 stock options and 5,603,218 warrants outstanding.

On February 7, 2008, the Company obtained confirmation from the AMF of Quebec to the effect that the final simplified prospectus of the Company had been endorsed by the authorities of British Columbia, Alberta, Ontario and Quebec. Accordingly, the special warrants issued by the Company on November 30, 2007 were deemed exercised on February 13, 2008, three working days after obtaining the visa mentioned above. The same day, the Company thus issued 8,000,000 commons shares to the holders of special warrants. The Company has incurred costs of \$156,173 to that effect during the first quarter ending March 31, 2008.

Significant accounting policies

Revenue recognition

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 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 reasonably assured. Revenues from post-contract customer support elements are recognized rateably over the related support period. Revenues from other related services are recognized as the services are performed according to the percentage-of-completion method. When a loss on a contract is sufficiently foreseeable, the loss is recognized as an expense for the year. Moreover, the amounts received for services not yet rendered are recognized as revenues posted to the balance sheet.

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. These estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses. Significant estimates include the allowance for doubtful accounts receivable, the degree of progress of work in process, recoverable tax credits, the useful lives of property, plant and equipment and intangible assets, impairment of long-lived assets, certain accrued liabilities and measurement of financial instruments. Actual results may 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 occur, indicating that it is more likely than not 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 2007.

Changes in accounting policies

General standards of financial presentation

The CICA amended section 1400 of the CICA Handbook, "General Standards of Financial Statement Presentation", to include a requirement that management make an assessment of an entity's ability to continue as a going concern when preparing financial statements. These changes, including the related disclosure requirements, came into effect on January 1, 2008 and did not impact the Company's financial statements.

Capital disclosures

Section 1535 "Capital disclosures", which establishes standards for disclosing information about an entity's capital and how it is managed. The section describes the standards for disclosing information about objectives, policies and processes for managing capital of the entity and quantitative data about what the entity regards as capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non-compliance.

Financial instruments

Section 3862, "Financial Instruments – Disclosures", describes the required disclosure to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation".

Future Accounting Changes

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064 "Goodwill and Intangible Assets", which provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new section will replace Section 3062 "Goodwill and Intangible Assets" and Section 3450 "Research and Development Costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes. The section establishes standards for recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of the adoption of this new standard on its consolidated financial statements.

Contingency

The Company and an educational institution are jointly facing a lawsuit for \$885,000. In addition, a US\$500,000 lawsuit was recently served on the Company. Management believes that these lawsuits are unfounded; accordingly, no provision has been recorded in this respect.

Controls and procedures

In accordance with Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the effectiveness of the Company's disclosure controls and procedures was conducted. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that disclosure controls and procedures were effective as of March 31, 2008, and, more specifically, that the design of such controls and procedures provides reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the quarterly and annual filings are being prepared. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its financial statements. No changes that materially affected or are reasonably likely to materially affect internal control over financial reporting were disclosed by others within the Company's entities or identified by management during the period ended March 31, 2008.

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. Further information concerning these risks and uncertainties can be found in greater detail in Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2007. Other risks and uncertainties currently unknown to the Company or regarded as negligible could also impact its business operations.

This analysis of the Company's financial position and results of operations was prepared as of May 22, 2008. Additional information on the Company can be found on the SEDAR Web site at www.sedar.com.



Bruno Martel
Chief Financial Officer

Quarterly Report for Our Shareholders

The attached consolidated financial statements have been prepared by the management of Nstein Technologies Inc. and have not been reviewed by an auditor. This quarterly report includes forward-looking statements that are based on certain assumptions and reflect Nstein's current expectations. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Additional factors are discussed in Nstein's materials filed with the securities regulatory authorities in Canada from time to time. Nstein disclaims any intention or obligation to update or revise any forward-looking statements.

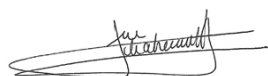
> www.nstein.com

NSTEIN TECHNOLOGIES INC.

Consolidated Balance Sheets[†]	As at March 31 2008 \$ (unaudited)	As at December 31 2007 \$
Assets		
Current assets		
Cash and cash equivalents	9,502,565	11,730,855
Term deposits	164,600	185,386
Accounts receivable	8,833,020	7,081,392
Refundable tax credits	913,352	1,540,023
Work in progress	1,331,750	875,350
Prepaid expenses	440,635	330,150
	21,185,922	21,743,156
Property, plant and equipment	690,347	538,336
Intangible assets	4,040,818	1,171,188
Goodwill (note 4)	10,677,609	5,641,574
	36,594,696	29,094,254
Liabilities		
Current liabilities		
Bank loans	110,538	563,280
Accounts payable and accrued liabilities	6,162,443	4,012,304
Deferred revenues	4,087,947	1,104,685
Future income tax liabilities	150,315	-
Balance of purchase price of a subsidiary (note 4)	1,761,599	-
Current portion of long-term debt (note 5)	322,421	295,997
	12,595,263	5,976,266
Long-term debt (note 5)	657,641	759,832
Future income tax liabilities	683,805	-
	13,936,709	6,736,098
Shareholders' Equity		
Share capital	53,702,338	52,652,275
Other equity components	2,811,462	2,823,558
Contributed surplus	1,377,751	1,223,997
Deficit	(35,233,564)	(34,341,674)
	22,657,987	22,358,156
	36,594,696	29,094,254
Contingency (note 13)		

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

Approved by the Board of Directors,



Luc Filiatreault, Director



A. Michel Lavigne, Director

NSTEIN TECHNOLOGIES INC.

Consolidated Statements of Earnings and Deficit [†]	Three months ending March 31	
	2008	2007
	\$ (unaudited)	\$ (unaudited)
Revenues (note 12)	6,029,231	3,803,874
Cost of sales, net of tax credits (note 7)	2,524,414	1,810,372
	3,504,817	1,993,502
Expenses		
Selling and administrative	3,027,673	1,785,958
Research and development, net of tax credits	944,170	402,069
Depreciation of property, plant and equipment	75,379	43,150
Amortization of intangible assets	178,737	110,594
Exchange gain	(164,120)	(7,635)
Financial expenses (note 9a)	(65,499)	297,962
Restructuring fees (note 8)	419,156	-
	4,415,496	2,632,098
Loss before income tax	910,679	638,596
Recovery of income tax		
Future income tax	(18,789)	-
	(18,789)	-
Net loss and comprehensive loss for the period	891,890	638,596
Deficit - Beginning of period	34,341,674	32,511,593
Deficit - End of period	35,233,564	33,150,189
Basic and diluted net loss per share	0.019	0.019
Basic and diluted weighted average number of shares outstanding	46,382,730	33,529,209

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

NSTEIN TECHNOLOGIES INC.

Consolidated Statements of Cash Flows[†]	Three months ending March 31	
	2008	2007
	\$	\$
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net loss for the year	(891,890)	(638,596)
Items not affecting cash and cash equivalents		
Interest capitalized on long-term debt	8,270	13,261
Unrealized exchange loss	70,300	59
Depreciation of property, plant and equipment	75,379	43,150
Amortization of intangible assets	178,737	110,594
Amortization of deferred financing expenses	-	38,383
Stock-based compensation costs	146,985	38,595
Compensation costs related to the deferred share unit plan for directors	30,750	26,528
Costs related to the employee stock purchase plan	17,672	10,287
Recovery of income tax	(18,789)	-
	(382,586)	(357,739)
Change in non-cash operating working capital items		
Accounts receivable	(619,851)	169,204
Refundable tax credits	626,671	(56,603)
Work in progress	(456,400)	(285,790)
Prepaid expenses	(26,800)	(91,087)
Balance receivable on the sale of software licenses	-	176,598
Accounts payable and accrued liabilities	211,081	(126,996)
Deferred revenues	1,414,461	(67,500)
	1,149,162	(282,174)
	766,576	(639,913)
Cash flows from financing activities		
Variation in bank loans	(452,742)	-
Payments on long-term debt	(153,595)	(295,774)
Issuance of common shares, net of issue expenses	(17,279)	10,287
	(623,616)	(285,487)
Cash flows from investing activities		
Variation in term deposits	20,786	(5,994)
Variation in short-term restricted cash	-	720,661
Business acquisitions, net of cash and cash equivalents	(2,361,359)	-
Additions to property, plant and equipment	(28,410)	(21,314)
Additions to intangible assets	(2,267)	(5,975)
	(2,371,250)	687,378
Increase in cash and cash equivalents	(2,228,290)	(238,022)
Cash and cash equivalents – Beginning of year	11,730,855	2,367,125
Cash and cash equivalents – End of year	9,502,565	2,129,103
Additional information (note 9b and c)		

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

NSTEIN TECHNOLOGIES INC.

Consolidated Statements of Shareholders' Equity [†]					As at March 31 (unaudited)	
	Share capital		Other equity components	Contributed surplus	Deficit	Shareholders' equity
	Common shares					
	Number	\$	\$	\$	\$	\$
Balance as at December 31, 2006	33,303,337	40,178,085	2,269,836	532,143	(32,511,593)	10,468,471
Shares issued under the employee stock purchase plan	26,981	20,574	-	-	-	20,574
Shares issued for long-term debt repayment and conversion	525,539	407,207	-	-	-	407,207
Long-term debt conversion option	-	-	(65,473)	-	-	(65,473)
Transfer of the matured portion of options to the contributed surplus	-	-	-	65,473	-	65,473
Reversal of stock options granted as compensation following employee departure	-	-	(22,776)	22,776	-	-
Stock-based compensation costs	-	-	38,595	-	-	38,595
Net loss and comprehensive loss for the period	-	-	-	-	(638,596)	(638,596)
Balance as at March 31, 2007	33,855,857	40,605,866	2,220,182	620,392	(33,150,189)	10,296,251
Balance as at December 31, 2007	41,125,536	52,652,275	2,823,558	1,223,997	(34,341,674)	22,358,156
Shares issued upon the exercise of stock options	21,667	12,991	(5,327)	-	-	7,664
Shares issued under the employee stock purchase plan	31,171	35,344	-	-	-	35,344
Shares issued upon the exercise of special warrants, net of issue expenses (note 5)	8,000,000	(156,173)	-	-	-	(156,173)
Business combination (note 4)	1,835,480	1,157,901	-	-	-	1,157,901
Reversal of stock options granted as compensation following employee departure	-	-	(153,754)	153,754	-	-
Stock-based compensation costs	-	-	146,985	-	-	146,985
Net loss and comprehensive loss for the period	-	-	-	-	(891,890)	(891,890)
Balance as at March 31, 2008	51,013,854	53,702,338	2,811,462	1,377,751	(35,233,564)	22,657,987

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

Notes to Consolidated Financial Statements

Note 1 - Statutes and nature of activities

The Company, incorporated in January 2000 under Part 1A of the *Québec Companies Act*, develops and markets multilingual online publishing solutions dedicated to players in the media industry, such as newspapers, magazines and digital content providers. Nstein solutions generate new revenue sources and reduce operating costs by allowing centralization, management and automated indexing of digital content. Nstein collaborates closely with its customers to implement winning strategies based on publishing industry best practices, which allow rapid implementation of its Web Content Management, Digital Asset Management, Text Mining Engine and Picture Management Desk products.

Note 2 – Interim financial information

The financial information as at March 31, 2008 and for the three-month periods ended March 31, 2008 and 2007 is unaudited. However, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made are of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and use the same accounting policies and methods used in the preparation of the Company's most recent annual consolidated financial statements, except for the new accounting standards as disclosed in note 3. All disclosures required for annual financial statements have not been included in these financial statements. These interim consolidated financial statements should therefore be read in conjunction with the Company's most recent consolidated financial statements.

Note 3 - Summary of significant accounting policies

Basis of 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., Nstein Technologies France S.A.S.U., KMTechnologies inc., Alis Technologies inc., Cabinet Conseil Valsar inc. and Picdar Group Ltd.

Foreign currency

Foreign currency transactions

Transactions denominated in currencies other than the 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 monthly 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 remeasured into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are remeasured at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are remeasured at historical rates. Revenues and expenses are remeasured at the monthly average rate for the year. Gains and losses arising from such remeasurement are reflected in the statements of earnings.

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 reasonably assured. Revenues from post-contract customer support elements are recognized rateably during 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.

Changes in accounting policies

Effective January 1, 2008, the Company adopted the new accounting standards of Section 1400, "General Standards of Financial Statement Presentation", Section 1535, "Capital disclosures", Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation", of the Canadian Institute of Chartered Accountants (CICA) Handbook. The main changes in the new accounting standards are as follows:

General standards of financial presentation

The CICA amended section 1400 of the CICA Handbook, "General Standards of Financial Statement Presentation", to include a requirement that management make an assessment of an entity's ability to continue as a going concern when preparing financial statements. These changes, including the related disclosure requirements, came into effect on January 1, 2008 and did not impact the Company's financial statements.

Capital disclosures

Section 1535 "Capital disclosures", which establishes standards for disclosing information about an entity's capital and how it is managed. The section describes the standards for disclosing information about objectives, policies and processes for managing capital of the entity and quantitative data about what the entity regards as capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non-compliance.

Financial instruments

Section 3862, "Financial Instruments – Disclosures", describes the required disclosure to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation".

Future Accounting Changes

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064 "Goodwill and Intangible Assets", which provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new section will replace Section 3062 "Goodwill and Intangible Assets" and Section 3450 "Research and Development Costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes. The section establishes standards for recognition, measurement, presentation and disclosure of

goodwill subsequent to its initial recognition and of intangible assets. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of the adoption of this new standard on its consolidated financial statements.

Comparative figures

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

Note 4 – Business combination

On February 13, 2008, the Company acquired all of the outstanding shares of Picdar Group Ltd (“Picdar”), a digital asset and image management solutions provider in the United Kingdom (the “Transaction”) for a purchase price equivalent to the sum of (i) the business value of the company established between \$6,617,700 and \$9,275,810 (between £3,375,000 and £4,730,625) and (ii) the surplus working capital estimated at closing at \$4,472,255 (£2,280,832). An amount of \$6,617,700 (£3,375,000) was paid upon closing of the transaction and the balance of the value of the company, up to \$2,658,110 (£1,355,625), is payable in annual instalments beginning March 31, 2008 based on the achievement of the target future revenues and EBITDA. Each instalment is composed of a 75% portion in cash and cash equivalents and 25% in newly issued shares of the Company at a unit price set according to the weighted average price of the Company’s last 20 trading days on the TSX Venture Exchange immediately preceding each payment date. The surplus working capital is payable in cash and cash equivalents, a first instalment of \$3,419,841 (£1,744,105) having been paid upon closing of the transaction and the balance of \$1,052,414 (£536,727) having been paid on receipt of the closing financial statements in April 2008. On February 13, 2008, the Company proceeded to issue 1,835,480 common shares in initial payment of the purchase price. The issued shares are subject to escrow conditions and will be released quarterly over a period of twenty-four (24) months.

This acquisition has been accounted for using the purchase method, and the results have been consolidated from the acquisition date. The portion of the purchase price paid in shares has been reduced by an average discount of 30% in order to consider the impact of the escrow on the share value and a blockage discount due to the large number of shares traded at a precise moment in a limited market. With the exception of the first conditional payment, which was estimated at \$642,724 (\$ (€327,786)), two other conditional payments were not recorded because it is impossible to establish beyond a reasonable doubt that the necessary conditions for the payment of additional consideration will be met. The value of the purchase price is provisional and will be finalized once the value of certain assets and liabilities is established. The following table summarizes the purchase price allocation, including business combination-related costs based on the estimated fair value of the net assets acquired at the date of the acquisition.

	\$
Cash and cash equivalents	6,128,584
Other current assets	1,215,463
Property, plant and equipment	165,780
Intangible assets	3,046,103
Total assets acquired	10,555,930
Current liabilities	2,425,712
Future income tax liabilities	852,909
Long-term debt	24,500
Total liabilities assumed	3,303,121
Net identifiable assets acquired	7,252,809
Goodwill	5,036,035
Purchase price	12,288,844
Settled as follows:	
Common shares issued	1,157,901
Cash amount	8,392,988
Balance of purchase price	1,695,137
Business combination-related costs	1,042,818
	12,288,844

Note 5 - Long-term debt

	March 31, 2008 \$ (Unaudited)	December 31, 2007 \$
Term loans		
- Discounted 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	424,309	440,083
- Discounted at 8%, with the National Research Council of Canada ("NRC"), payable in two instalments of \$95,000, in October 2006 and January 2007, and in quarterly instalments of \$47,500 from October 2007, maturing in September 2009	223,163	265,631
- Discounted at 8%, with the NRC, payable in four annual instalments of \$78,338, starting on January 1, 2007, maturing in January 2010	141,247	216,395
- 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	53,218	56,446
- 4%, payable in monthly instalments of \$650 (€401) including principal and interest, maturing in June 2011. A moveable hypothec on the car has been given as security	23,216	22,713
- 4%, payable in monthly instalments of \$913 (€448) including principal and interest, maturing in November 2010. A moveable hypothec on the car has been given as security	33,169	-
Obligations under capital leases		
- Discounted at 7.75%, payable in total monthly instalments of \$2,837 including principal and interest, maturing between August and November 2010.	81,740	54,561
	980,062	1,055,829
Less: Current portion	322,421	295,997
	657,641	759,832

Note 6 – Shareholder's equity

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

Shares issued:

On February 7, 2008, the Company obtained confirmation from the AMF of Quebec to the effect that the final simplified prospectus of the Company had been endorsed by the authorities of British Columbia, Alberta, Ontario and Quebec. Accordingly, the special warrants issued by the Company on November 30, 2007 were deemed exercised on February 13, 2008, three working days after obtaining the visa mentioned above. The same day, the Company thus issued 8,000,000 common shares to the holders of special warrants. The Company has incurred costs of \$156,173 to that effect during the first quarter ending March 31, 2008.

Other equity components

The following table presents the other equity components:

	As at March 31 2008 \$ (unaudited)	As at December 31 2007 \$
Stock option-based compensation	1,117,688	1,129,784
Warrants	1,693,774	1,693,774
	2,811,462	2,823,558

These other components of equity are being described in more detail in the audited consolidated financial statements at December 31, 2007.

Stock options

During the three months ended March 31, 2008, the Company has awarded its employees 765,000 stock options. The fair value of options granted during this period amounted to \$530,519 has been established using the Black-Scholes options pricing model with the following weighted average assumptions:

Risk-free interest rate	2,90 %
Expected volatility	85%
Dividend yield	nil
Expected life	5 years

Warrants

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

	As at March 31 2008 \$ (unaudited)	As at December 31 2007 \$
200,000 warrants at \$1.00, maturing on November 28, 2008	204,545	204,545
354,000 warrants at \$1.00, maturing on November 7, 2009	168,955	168,955
1,764,705 warrants at \$1.50, maturing on September 27, 2010	404,181	404,181
1,764,707 warrants at \$2.00, maturing on September 27, 2010	332,396	332,396
1,166,865 warrants at \$1.80, maturing on October 12, 2010	383,538	383,538
352,941 warrants at \$0.85, maturing on June 12, 2011	200,159	200,159
	1,693,774	1,693,774

Note 7 – Tax credits

Due to its eligibility for the Cité Multimédia Montréal Program, the Company is entitled to a 40% refundable tax credit on eligible salaries up to an annual maximum of \$15,000 per employee. These tax credits, applied against the cost of sales, amounted to \$75,000 for the first quarter of 2008, compared to \$44,976 in 2007.

The Company also benefits from scientific research and experimental development tax credits. These tax credits, presented in reduction of research and development expenses, amounted to \$215,797 for the first quarter of 2008, compared to \$60,624 in 2007.

Note 8 – Restructuring fees

During the first quarter, the Company incurred an expense of \$419,156 for non-recurring restructuring fees. These fees consist mainly of the severance and other payroll benefits paid to former employees, including a founder. These amounts include a \$60,940 expenditure related to the value of these individuals' stock options. The costs were not paid and are included in accounts payables.

Note 9 - Additional information

Statement of earnings

a) Financial expenses

	Three months ending March 31	
	2008	2007
	\$	\$
	(unaudited)	(unaudited)
Amortization of deferred financing expenses	-	38,383
Interest on long-term debt	25,489	248,003
Interest and bank charges	6,126	39,147
Interest income	(97,114)	(27,571)
Total	(65,499)	297,962

Statement of cash flows

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

	Three months ending March 31	
	2008	2007
	\$	\$
	(unaudited)	(unaudited)
Convertible debentures converted into common shares	-	407,207
Business combination-related costs included in accounts payable and accrued liabilities	945,863	-
Transfer of the matured portion of options to the contributed surplus	-	65,473
Stock options granted as compensation transferred to the contributed surplus	153,754	22,776
Stock options exercised as compensation transferred to share capital	5,327	-
Issue expenses included in accounts payable and accrued liabilities	184,998	-
Assets under a capital lease	33,200	-

c) Additional information

	Three months ending March 31	
	2008	2007
	\$	\$
	(unaudited)	(unaudited)
Interest paid	11,520	208,730
Interest cashed	67,440	(36,625)

Note 10 – Financial instruments

Nature and extent of risks

During the first quarter of 2008, the Company adopted the new requirements of the CICA Handbook's Section 3862, "Financial Instruments – Disclosures". This new section requires the entity to disclose information to enable users to evaluate the significance of financial

instruments for the entity's financial position and performance, and the nature and extent of an entity's exposure to risks arising from financial instruments, including how the entity manages those risks. The Company is mainly exposed through its financial instruments to credit risk, liquidity, foreign exchange and interest rates. The following analysis provides a measure of these risks as at March 31, 2008.

Credit risk

Financial instruments that potentially subject the Company to 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 reputable financial institutions. Consequently, management considers the risk of non-fulfilment related to these instruments to be minimal.

The Company's credit risk is primarily attributable to its accounts receivables. In the event of a future credit loss relating to one or more significant clients, the Company could be required to record a material charge to earnings. The Company believes that credit risk regarding accounts receivables is limited due to the geographic location of its clients and their history of payments.

In general, the Company does not normally require collateral or other security from clients for trade accounts receivable; however, credit is extended only after evaluation of creditworthiness. In addition, the Company performs ongoing credit reviews of all its clients and establishes an allowance for doubtful accounts when balances are deemed to be uncollectible. It is recorded in reduction of accounts receivable. The Company is exposed to credit risk up to the carrying amount. As of March 31, 2008, the allowance for doubtful accounts recorded was not significant compared to the whole account, which is consistent with the Company' history of recoveries. The aging of the trade receivable balance as at March 31, 2008 was as follows:

	March 31 2008	March 31 2007
0 - 30 days	4,216,829	5,734,425
31 - 60 days	1,750,123	426,831
61 - 90 days	701,769	157,805
91 +	2,164,299	762,331
Receivable	8,833,020	7,081,392

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by monitoring closely its treasury to maintain a sufficient level of liquidity to be able to meet its financial obligations in a predictable future. During the previous periods, the Company principally financed its expansion by issuing share capital. The following are the contractual maturities of financial liabilities as of March 31, 2008.

	Carrying amount	Contractual cash flows	Less than 1 year	1-3 years	4-5 years
Bank loans	110,538	110,538	110,538	-	-
Accounts payable and accrued liabilities	6,162,443	6,162,443	6,162,443	-	-
Balance of purchase price of a subsidiary	1,761,599	1,761,599	1,761,599	-	-
Long-term debt	980,062	1,154,611	399,225	518,756	236,630
	9,014,642	9,189,191	8,433,805	518,756	236,630

Foreign 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 (USD), in Euros (EUR) and in pound sterling (GBP). The risks are partially hedged by purchases and operating expenses denominated in these currencies. The following tables provide an indication of the Company's significant foreign currency exposures during the first quarter of 2008.

<i>(In Canadian dollars)</i>	As of March 31, 2008		
	USD	EUR	GBP
Cash and cash equivalents	545,006	508,346	2,777,746
Current assets	3,533,204	1,978,307	1,731,242
Current liabilities	(117,858)	(953,552)	(2,772,544)
Long-term debt	-	(23,216)	(33,169)
Balance sheet exposure	3,960,352	1,509,885	1,703,275

<i>(In Canadian dollars)</i>	For the three months ended March 31, 2008		
	USD	EUR	GBP
Sales	1,998,312	921,290	793,134
Expenses	(411,206)	(845,054)	(607,205)
Net exposure	1,587,106	76,236	185,929

The following exchange rates applied during the reporting period for the three months ended March 31, 2008:

	Quarter average rate	Closing rate as at March 31, 2008
USD to CAD	1.0045	1.0265
EUR to CAD	1.5057	1.6205
GBP to CAD	1.9863	2.0372

Based on the Company's foreign currency exposures noted above, a hypothetical increase in the foreign exchange rate of 5% compared to the Canadian dollar presented in the table above would have increased (decreased) net income as follows:

<i>(In Canadian dollars)</i>	Source of net earning variability from changes in exchange rates		
	USD	EUR	GBP
Financial instruments	198,018	75,494	85,164
Sales and operating expenses	79,355	3,812	9,296
Increase (decrease) in net earnings	277,373	79,306	94,460

A hypothetical 5% decrease in the foreign exchange rate of these currencies compared to the Canadian dollar during the quarter ending March 31, 2008 would have had an equal but opposite effect.

Interest rate risk

The Company's interest rate risk is related to cash and cash equivalents and term deposits. The Company's debts are subject to fixed interest rates or non interest as mentioned in note 5. The Company considers that interest rate risk is not significant on its operations, and has not provided any sensitivity analysis on the effects of potential fluctuations.

Fair value

Cash and cash equivalents and short-term restricted cash are accounted at the fair value. Term deposits, accounts receivable, work in progress, the balance receivable on the sale of software licenses, bank loans, accounts payable and accrued liabilities, the amount owed to directors and long-term debt are financial instruments whose fair value approximates their carrying value due to their short-term maturity or current market rates.

Note 11 – Capital disclosures

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions, while at the same time taking a conservation approach towards financial leverage and management of financial risk. The Company aims to increase its market share and its profits to maximize the shareholders' investment return and intends to maintain a flexible capital structure in order to finance its growth, take advantage of acquisition opportunities and react to variations in economic conditions.

The Company's capital management objectives, policies and procedures did not change since the last period, and it is not required to comply with any ratios concerning capital management. The Company defines its capital as shareholder's equity, long-term debt, including the current portion and bank loan, cash and cash equivalents and term deposits. The amount under management is reflected in the table below:

	March 31, 2008	December 31, 2007
Bank loans	110,538	563,280
Balance of purchase price of a subsidiary	1,761,599	-
Current portion of long-term debt	322,421	295,997
Long-term debt	657,641	759,832
Cash and cash equivalents	9,502,565	11,730,855

The Company's financial strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may purchase shares, issue new shares and new debt titles or refinance existing debt with different characteristics.

Note 12 - Segment information

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

Revenues by geographic region are detailed as follows:

	Three months ending March 31	
	2008	2007
	\$	\$
	(unaudited)	(unaudited)
Canada	2,292,238	2,532,806
United States	1,959,694	587,122
Europe	1,777,299	683,946
Total	6,029,231	3,803,874

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

Note 13 - Contingency

The Company and an educational institution are jointly facing a lawsuit for \$885,000. In addition, a US\$500,000 lawsuit was recently served on the Company. Management believes that these lawsuits are unfounded; accordingly, no provision has been recorded in this respect.



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