

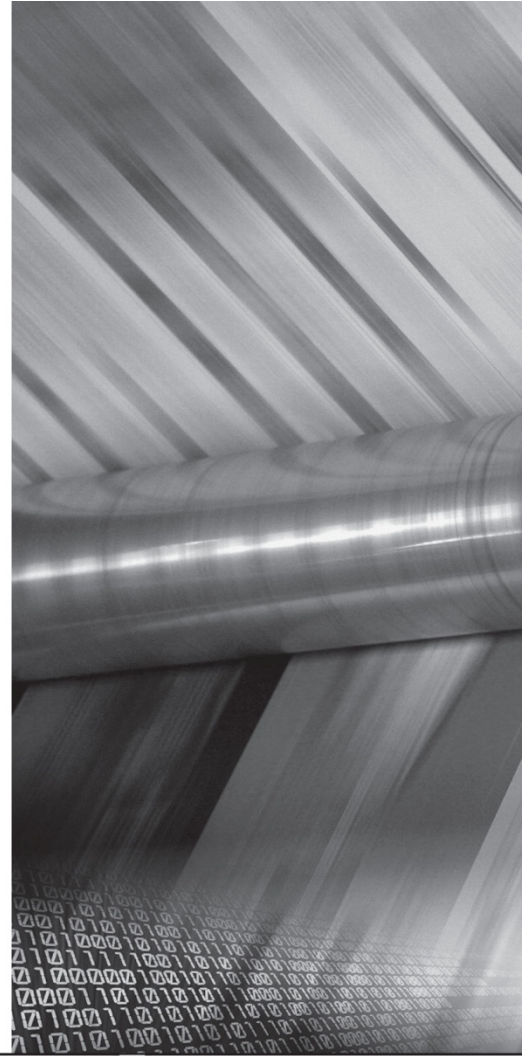


Powering Digital Publishing

Quarterly Report

2nd quarter ending June 30, 2008

2008



Message from the President and CEO



Sustained growth

Nstein continued its growth in the second quarter of 2008, reporting revenues of \$6 million compared to \$4 million for the same period in 2007, for a 50% increase. Equal credit for this growth can be attributed to the acquisition of Picdar in February 2008 and the organic increase in the Company's revenues, due to the four new projects it signed during the quarter. This revenue growth confirms the Company's progress in the e-publishing industry.

Financial position

The Company posted a loss before financial expenses, exchange loss, income tax, depreciation, amortization and restructuring fees (EBITDA) of \$1,176,642 compared to a negative EBITDA of \$144,315 for the second quarter of the previous year. This setback is explained by a lower level of licensing revenues than the Company had anticipated, since some customers delayed their decision to purchase. The Company closely monitors the economic situation and the impact the slowdown could have on its operations. At present, the interest of potential customers in Nstein solutions remains very high and our sales force is working on a growing number of clearly identified projects. The Company's balance sheet remains strong, with liquidity of \$7,724,586 and working capital of \$7,321,090 as at June 30, 2008.

Receptive market

The Company's outlook remains excellent. A growing number of customers in North America and Europe are using our solutions and contributing to promote our excellent reputation in the industry. Some of our customers are continuing their collaboration with our professional service teams on new projects. Our development teams are currently perfecting new versions of our software, which will be available by the end of the year. These new versions will enable the Company to increase its technological lead and allow its customers to generate even more revenues through the use of Nstein's technologies.

In conclusion, we intend to be prudent during these uncertain economic times, but we remain highly motivated to continue our strong growth and become the world leader in digital publishing solutions.

A handwritten signature in black ink, which appears to read "Luc Filiatreault". The signature is written in a cursive style and is positioned above the printed name and title.

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- and six-month periods ended June 30, 2008. It also compares results of operations and cash flows for the three- and six-month periods ended June 30, 2008, to those for the same period of 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 digital 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 digital 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.

The Company is actively pursuing the development and commercialization of these solutions, to which the market is 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 three 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.

In July 2008, the company settled the first installment of the purchase price through the issuance of 191,144 shares and a payment of \$533,210 (£265,781).

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 financial information

	Three months ending June 30		Six months ending June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenues	6,008,624	4,007,729	12,037,855	7,811,603
EBITDA*	(1,176,642)	(144,315)	(1,643,668)	(338,840)
Loss	(1,551,727)	(1,010,003)	(2,443,617)	(1,648,599)
Basic and diluted loss per share	(0.030)	(0.028)	(0.050)	(0.047)

* 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 decline in EBITDA for the second quarter is due in part to increased investment required in the sales force to accelerate the growth of the Company's revenues and its developing markets in North America, the United Kingdom and France. The revenues from software licenses were lower than the company had anticipated, since some customers delayed their decision to purchase.

Operating results

Revenues

For the period ended June 30, 2008, the Company recorded revenues of \$6,008,624, representing an increase of 50% compared to revenues of \$4,007,729 realized in the corresponding previous period. This rise in revenues is attributed equally to two factors: the increase in the number of sales of online content management solutions (software licenses and implementation services) during the second quarter of 2008, and revenues from Picdar, acquired in February 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. For the six months ended June 30, 2008, revenues increased 54% to \$12,037,855 from the \$7,811,603 recorded for the same period last year.

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 67% to \$2,861,739 or 48% of revenues for the quarter ended June 30, 2008, compared to \$1,718,517 or 43% of revenues for the corresponding period ended June 30, 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. For the six months ended June 30, 2008, cost of sales amounted to \$5,386,153 up from \$3,528,889

for the same period last year. However, the cost of sales has maintained the same percentage level for both periods ending June 30, at 45% of sales.

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 \$70,620 for the second quarter of 2008, compared to \$41,250 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 \$3,357,316 or 56% of revenues for the quarter ended June 30, 2008, compared to \$1,789,186 or 45% of revenues for the corresponding period last year. This increase of 88% mainly results from the hiring of employees to accelerate commercialization of our solutions, as well as increased staffing following the acquisition of Picdar. For the first half of 2008, selling and administrative expenses stood at \$6,384,989 compared to \$3,575,144 a year ago, rising from 46% of revenues for the first half of 2007 to 53% for the same period in 2008.

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 \$966,211 for the quarter ended June 30, 2008, compared to \$644,341 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, as well as increased staffing following the acquisition of Picdar. The Company has maintained its research and development efforts in the first half, reaching \$1,910,381, equivalent to 16% of revenues, compared to \$1,046,410 in 2007, representing 13% of revenues. The Company is actively pursuing 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 \$299,507 for the second quarter of 2008, compared to \$63,750 in 2007 and \$515,304 for the first half of 2008, against \$124,374 in 2007. The increase in tax credits was due to higher staffing and an upward adjustment of amounts receivable in the previous year.

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 125% from \$110,276 for the second quarter of 2007 to \$248,279 for the second quarter of 2008. Amortization of intangible assets for the six months ended June 30, 2008 totaled \$427,016 compared to \$220,870 in 2007, an increase of 93%. 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 2007.

Financial expenses

Financial expenses amounted to \$10,761 in the second quarter of 2008, compared to \$166,594 for the same quarter in 2007. For the first half of 2008, the Company recorded revenues of \$54,738 compared to expenses of \$464,556 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.

Loss

Nstein recorded a loss of \$1,551,727 or \$0.030 per share for the three-month period ended June 30, 2008, compared to a loss of \$1,010,003 or \$0.028 per share for the corresponding previous period. For the six month-period ended June 30, 2008, the Company recorded a loss of \$2,443,617, or \$0.050 per share, compared to \$1,648,599, or \$0.047 per share, for the same period last year. This increased loss resulted from increased expenses by the Company and lower than anticipated revenues.

Selected quarterly financial information

	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Quarter ending on	Jun 30, 2008	Mar 31, 2008	Dec 31, 2007	Sep 30, 2007
Revenues	6,008,624	6,029,231	6,268,163	4,092,092
EBITDA*	(1,176,642)	(467,026)	555,970	(84,025)
Loss	(1,551,727)	(891,890)	109,713	(291,195)
Basic and diluted loss per share	(0,030)	(0,019)	0,003	(0,008)

	Jun 30, 2007	Mar 31, 2007	Dec 31, 2006	Sep 30, 2006
Revenues	4,007,729	3,803,874	3,888,532	2,814,214
EBITDA*	(144,315)	(194,525)	(302,804)	(535,526)
Loss	(1,010,003)	(638,596)	(638,330)	(1,043,755)
Basic and diluted loss per share	(0,028)	(0,019)	(0,020)	(0,033)

* 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 June 30, 2008, cash and cash equivalents amounted to \$7,724,586, compared to \$11,730,855 as at December 31, 2007.

Cash flows

Operating activities

Operating activities used \$261,180 in cash flows in the second quarter of 2008, compared to \$1,201,934 for the same period last year. For the six months ended June 30, 2008, the Company generated \$505,396 for its operating activities compared to use of \$1,841,848 in 2007, mainly due to significant collections of accounts receivable during the second quarter of 2008, and the increase in deferred revenues.

Financing activities

Financing activities used cash flows of \$1,136,777 in the second quarter of 2008, compared to a cash increase of \$1,952,064 for the same quarter in 2007. For the six months ended June 30, 2008, financing activities used \$1,760,393 in cash flow compared to an increase in cash flow of \$1,666,578 for the same period in 2007.

The payment of a portion of the balance of purchase price of Picdar is the main reason for the outflow in 2008. During the second quarter of 2007, the company had completed a private placement in the amount of \$1,900,000 and obtained a bank loan of \$473,280. However, an amount of \$411,171 was allocated to the payment of long-term debt, mainly for convertible debentures. The last monthly payment on those debentures was made in August 2007.

Investing activities

Cash flows used in investing activities amounted to \$380,022 for the three-month period ended June 30, 2008, compared to a cash increase of \$700,832 for the same period in 2007. This difference is mainly due to the recovery of an amount of \$ 737,234 of restricted cash related to a debt.

For the six months ended June 30, 2008, the Company used \$2,751,272 for its investing activities compared to a cash increase of \$1,388,210 for the same period in 2007. This difference is mainly due to the use of cash dedicated to the acquisition of Picdar. In 2007, the increase in liquidity was due to the recovery of an amount of \$1,457,895 of restricted cash related to a debt.

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

	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	681,008	681,008	-	-	-
Long-term debt	1,012,297	396,691	433,988	181,618	-
Use of offices	3,598,723	1,028,227	2,098,335	283,035	189,126
Royalties on revenues of software licenses	95,625	95,625	-	-	-

Shareholders' equity

On August 14, 2008, the Company had 51,383,786 commons shares, 3,268,953 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.

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.

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 June 30, 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 June 30, 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 August 14, 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 June 30 2008 \$ (unaudited)	As at December 31 2007 \$
Assets		
Current assets		
Cash and cash equivalents	7,724,586	11,730,855
Term deposits	164,600	185,386
Accounts receivable	6,495,728	7,081,392
Refundable tax credits	1,282,062	1,540,023
Work in progress	1,439,128	875,350
Prepaid expenses	531,926	330,150
	17,638,030	21,743,156
Property, plant and equipment	748,939	538,336
Intangible assets	3,818,499	1,171,188
Goodwill (note 4)	10,677,609	5,641,574
	32,883,077	29,094,254
Liabilities		
Current liabilities		
Bank loans	110,538	563,280
Accounts payable and accrued liabilities	5,442,155	4,012,304
Deferred revenues	3,536,233	1,104,685
Future income tax liabilities	150,315	-
Balance of purchase price of a subsidiary (note 4)	681,008	-
Current portion of long-term debt (note 5)	396,691	295,997
	10,316,940	5,976,266
Long-term debt (note 5)	615,606	759,832
Future income tax liabilities	646,226	-
	11,578,772	6,736,098
Shareholders' Equity		
Share capital	53,810,886	52,652,275
Other equity components	2,858,390	2,823,558
Contributed surplus	1,420,320	1,223,997
Deficit	(36,785,291)	(34,341,674)
	21,304,305	22,358,156
	32,883,077	29,094,254
Contingency (note 13)		

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

NSTEIN TECHNOLOGIES INC.

Consolidated Statements of Earnings and Deficit [†]	Three months ending June 30		Six months ending June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues (note 12)	6,008,624	4,007,729	12,037,855	7,811,603
Cost of sales, net of tax credits (note 7)	2,861,739	1,718,517	5,386,153	3,528,889
	3,146,885	2,289,212	6,651,702	4,282,714
Expenses				
Selling and administrative	3,357,316	1,789,186	6,384,989	3,575,144
Research and development, net of tax credits	966,211	644,341	1,910,381	1,046,410
Depreciation of property, plant and equipment	69,797	48,876	145,176	92,026
Amortization of intangible assets	248,279	110,276	427,016	220,870
Exchange gain	83,826	51,701	(80,294)	44,066
Financial expenses (note 9a)	10,761	166,594	(54,738)	464,556
Restructuring fees (note 8)	-	488,241	419,156	488,241
	4,736,190	3,299,215	9,151,686	5,931,313
Loss before income tax	1,589,305	1,010,003	2,499,984	1,648,599
Recovery of income tax	-	-	-	-
Future income tax	(37,578)	-	(56,367)	-
	(37,578)	-	(56,367)	-
Net loss and comprehensive loss for the period	1,551,727	1,010,003	2,443,617	1,648,599
Deficit - Beginning of period	35,233,564	33,150,189	34,341,674	32,511,593
Deficit - End of period	36,785,291	34,160,192	36,785,291	34,160,192
Basic and diluted net loss per share	0.030	0.028	0.050	0.047
Basic and diluted weighted average number of shares outstanding	51,053,643	35,862,431	48,797,518	34,708,782

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

NSTEIN TECHNOLOGIES INC.

Consolidated Statements of Cash Flows [†]	Three months ending June 30		Six months ending June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities				
Net loss for the year	(1,551,727)	(1,010,003)	(2,443,617)	(1,648,599)
Items not affecting cash and cash equivalents				
Interest capitalized on long-term debt	6,351	16,192	14,621	29,453
Unrealized exchange loss (gain)	(396)	(3,942)	69,904	(3,883)
Depreciation of property, plant and equipment	69,797	48,876	145,176	92,026
Amortization of intangible assets	248,279	110,276	427,016	220,870
Amortization of deferred financing expenses	-	22,999	-	61,382
Stock-based compensation costs	119,172	129,395	266,157	167,990
Compensation costs related to the deferred share unit plan for directors	44,750	26,528	75,500	61,189
Costs related to the employee stock purchase plan	17,124	9,302	34,796	19,589
Recovery of income tax	(37,578)	-	(56,367)	-
	(1,084,228)	(650,377)	(1,466,814)	(999,983)
Change in non-cash operating working capital items				
Accounts receivable	2,337,292	(181,041)	1,717,441	(11,837)
Refundable tax credits	(368,710)	(95,339)	257,961	(151,942)
Work in progress	(107,378)	129,200	(563,778)	(156,590)
Prepaid expenses	(91,291)	25,428	(118,091)	(65,659)
Balance receivable on the sale of software licenses	-	-	-	176,598
Accounts payable and accrued liabilities	(395,151)	(436,295)	(184,070)	(571,425)
Deferred revenues	(551,714)	6,490	862,747	(61,010)
	823,048	(551,557)	1,972,210	(841,865)
	(261,180)	(1,201,934)	505,396	(1,841,848)
Cash flows from financing activities				
Variation in bank loans	-	473,280	(452,742)	473,280
Payments on long-term debt	(35,371)	(411,171)	(188,966)	(706,945)
Payment on Balance of purchase price of a subsidiary	(1,080,591)	-	(1,080,591)	-
Issuance of common shares, net of issue expenses	(20,815)	1,889,955	(38,094)	1,900,243
	(1,136,777)	1,952,064	(1,760,393)	1,666,578
Cash flows from investing activities				
Variation in term deposits	-	23,495	20,786	17,501
Variation in short-term restricted cash	-	737,234	-	1,457,895
Business acquisitions, net of cash and cash equivalents	(287,335)	-	(2,648,694)	-
Additions to property, plant and equipment	(66,728)	(47,692)	(95,138)	(69,006)
Additions to intangible assets	(25,959)	(13,083)	(28,226)	(19,058)
Proceeds from the sale of property, plant and equipment	-	878	-	878
	(380,022)	700,832	(2,751,272)	1,388,210
Increase in cash and cash equivalents	(1,777,979)	1,450,962	(4,006,269)	1,212,940
Cash and cash equivalents – Beginning of year	9,502,565	2,129,103	11,730,855	2,367,125
Cash and cash equivalents – End of year	7,724,586	3,580,065	7,724,586	3,580,065
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 June 30 (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	53,163	39,179	-	-	-	39,179
Shares issued for cash, net of issue expenses	2,923,074	1,880,653	-	-	-	1,880,653
Shares issued for long-term debt repayment and conversion	952,559	697,221	-	-	-	697,221
Long-term debt conversion option	-	-	(130,963)	-	-	(130,963)
Transfer of the matured portion of options to the contributed surplus	-	-	-	130,963	-	130,963
Reversal of stock options granted as compensation following employee departure	-	-	(22,777)	22,777	-	-
Stock-based compensation costs	-	-	167,991	-	-	167,991
Net loss and comprehensive loss for the period	-	-	-	-	(1,648,599)	(1,648,599)
Balance as at June 30, 2007	37,232,133	42,795,138	2,284,087	685,883	(34,160,192)	11,604,916
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	126,667	87,292	(35,002)	-	-	52,290
Shares issued under the employee stock purchase plan	73,103	69,591	-	-	-	69,591
Shares issued upon the exercise of special warrants, net of issue expenses (note 6)	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	-	-	(196,323)	196,323	-	-
Stock-based compensation costs	-	-	266,157	-	-	266,157
Net loss and comprehensive loss for the period	-	-	-	-	(2,443,617)	(2,443,617)
Balance as at June 30, 2008	51,160,786	53,810,886	2,858,390	1,420,320	(36,785,291)	21,304,305

† 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 June 30, 2008 and for the three-month and six-month periods ended June 30, 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 were 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", 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 three 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.

In July 2008, the company settled the first installment of the purchase price through the issuance of 191,144 shares and a payment of \$533,210 (£265,781).

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

	June 30, 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	408,133	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	227,656	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	143,097	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	49,908	56,446
- 4%, payable in monthly instalments of \$644 (€401) including principal and interest, maturing in June 2011. A moveable hypothec on a car has been given as security	21,333	22,713
- 5%, payable in monthly instalments of \$910 (€448) including principal and interest, maturing in November 2010. A moveable hypothec on a car has been given as security	31,082	-
Obligations under capital leases		
- Discounted at 7.75%, payable in total monthly instalments of \$4,762 including principal and interest, maturing between August 2010 and November 2011.	131,088	54,561
	1,012,297	1,055,829
Less: Current portion	396,691	295,997
	615,606	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 June 30 2008 \$ (unaudited)	As at December 31 2007 \$
Stock option-based compensation	1,164,616	1,129,784
Warrants	1,693,774	1,693,774
	2,858,390	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 June 30, 2008, the Company has awarded its employees 60,000 stock options. The fair value of options granted during this period amounted to \$41,806 has been established using the Black-Scholes options pricing model with the following weighted average assumptions:

Risk-free interest rate	3.18%
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 June 30 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 \$70,620 for the second quarter of 2008, compared to \$41,250 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 \$299,507 for the second quarter of 2008, compared to \$63,750 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 and have been paid. These amounts include a \$60,940 expenditure related to the value of these individuals' stock options.

Note 9 - Additional information

Statement of earnings

a) Financial expenses

	Three months ending June 30		Six months ending June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amortization of deferred financing expenses	-	22,999	-	61,382
Interest on long-term debt	23,854	155,623	49,343	403,626
Interest and bank charges	9,958	(2,282)	16,084	36,865
Interest income	(23,051)	(9,746)	(120,165)	(37,317)
Total	10,761	166,594	(54,738)	464,556

Statement of cash flows

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

	Three months ending June 30		Six months ending June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Convertible debentures converted into common shares	-	290,014	-	697,221
Transfer of the matured portion of options to the contributed surplus	-	65,490	-	130,963
Stock options granted as compensation transferred to the contributed surplus	42,569	-	196,323	22,776
Stock options exercised as compensation transferred to share capital	29,675	-	35,002	-
Business combination-related costs included in accounts payable and accrued liabilities	-	-	658,528	-
Issue expenses included in accounts payable and accrued liabilities	-	-	102,434	-
Assets under a capital lease	61,659	-	94,859	-

c) Additional information

	Three months ending June 30		Six months ending June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest paid	21,782	139,776	33,302	348,506
Interest cashed	(9,034)	(17,918)	(76,474)	(54,543)

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 June 30, 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 June 30, 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 June 30, 2008 was as follows:

	June 30 2008	June 30 2007
0 - 30 days	2,937,481	2,365,101
31 - 60 days	784,462	1,020,697
61 - 90 days	618,460	118,562
91 +	2,155,325	697,355
Receivable	6,495,728	4,201,715

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 predicable 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 June 30, 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	5,442,155	5,442,155	5,442,155	-	-
Balance of purchase price of a subsidiary	681,008	681,008	681,008	-	-
Long-term debt	1,012,297	1,184,923	478,825	506,595	199,503
	7,245,998	7,418,624	6,712,526	506,595	199,503

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 haft of 2008.

<i>(In Canadian dollars)</i>	As of June 30, 2008		
	USD	EUR	GBP
Cash and cash equivalents	261,166	574,742	1,610,220
Current assets	2,615,863	1,631,613	964,767
Current liabilities	(957,411)	(1,434,725)	(2,182,860)
Balance of purchase price of a subsidiary	-	-	(681,008)
Long-term debt	-	(21,333)	(31,081)
Balance sheet exposure	1,919,618	750,297	(319,962)

<i>(In Canadian dollars)</i>	For the six months ended June 30, 2008		
	USD	EUR	GBP
Sales	3,575,762	1,533,124	1,853,587
Expenses	(845,053)	(1,713,131)	(1,841,231)
Net exposure	2,730,709	(180,007)	12,356

The following exchange rates applied during the reporting period for the six months ended June 30, 2008:

	Year to date average rate	Closing rate as at June 30, 2008
USD to CAD	1.0072	1.0197
EUR to CAD	1.5419	1.6053
GBP to CAD	1.9888	2.0312

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	95,981	37,515	(15,998)
Sales and operating expenses	136,535	(9,000)	618
Increase (decrease) in net earnings	232,516	28,515	(15,380)

A hypothetical 5% decrease in the foreign exchange rate of these currencies compared to the Canadian dollar during the first half ending June 30, 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:

	June 30, 2008	December 31, 2007
Bank loans	110,538	563,280
Balance of purchase price of a subsidiary	681,008	-
Current portion of long-term debt	396,691	295,997
Long-term debt	615,606	759,832
Cash and cash equivalents	7,724,586	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 June 30		Six months ending June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Canada	2,701,106	2,997,163	4,993,344	5,529,969
United States	1,616,068	312,518	3,575,762	899,639
Europe	1,691,450	698,048	3,468,749	1,381,995
Total	6,008,624	4,007,729	12,037,855	7,811,603

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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