



quarterly report for our shareholders
3rd QUARTER ENDING SEPTEMBER 30, 2004

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Management's Discussion and Analysis of Financial Position and Operating Results

This analysis should be read in conjunction with the Company's unaudited consolidated financial statements for the three- and nine-month periods ended September 30, 2004, as well as the audited consolidated financial statements for the year ended December 31, 2003 and management's discussion and analysis of financial position and operating results in the Company's 2003 annual report.

The audited and unaudited consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and are in Canadian dollars.

This analysis contains statements of a forward-looking nature that are based on the Company's current assumptions regarding future events. Such statements are subject to risks and uncertainties, and actual results could consequently differ substantially from expected results. These risks and uncertainties are discussed in the Company's 2003 annual report.

This management discussion and analysis of the Company's financial position and operating results was prepared as of October 27, 2004. Updated information on the Company can be found on the SEDAR Web site at www.sedar.com.

Overview

Founded in 2000, Nstein Technologies Inc. (TSX-V: EIN) is an innovative software development company that provides a Global Intelligent Information Management (GIIM) platform for large organizations. This flexible platform assimilates, organizes, analyzes (text mining), translates, shares and disseminates information arising from structured and unstructured multilingual data sources and essential to operational and decision-making processes. The GIIM platform is the basis for Nstein solutions that provide decision-makers with highly pertinent information and transform reactive decision-making into a proactive and even predictive process. Nstein designs and implements Business Intelligence (BI) solutions that create a new level of global knowledge, accessible at any time, particularly suited for the e-publishing, finance, legal, government and homeland security markets.

Results of Operations

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2004	2003	2004	2003
	\$	\$	\$	\$
Revenues	1,140,962	307,155	2,593,505	1,021,526
Net loss	786,233	445,350	2,159,239	1,896,010
Basic and diluted loss per share	0.005	0.004	0.015	0.018
Basic and diluted weighted average number of shares outstanding	153,780,629	104,267,165	140,454,209	104,267,165

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The financial information as at September 30, 2004 and for the periods ended September 30, 2003 and 2004 is unaudited. However, management considers that all the required adjustments have been made to present the results of these periods fairly. Any such adjustments were of a normal recurring nature. Interim results are not necessarily indicative of the expected results for the year.

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods as in the preparation of the Company's most recent annual financial statements. However, these financial statements do not include all the disclosures required for annual financial statements. These interim financial statements should therefore be read in conjunction with the Company's most recent annual financial statements.

2. Changes in Accounting Policy and Accounting for Profit-Sharing Plans

In accordance with new CICA standards outlined in Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", the Company adopted the recommendations retroactively on January 1, 2004, without restating prior years' results. A compensation charge must be included in the financial statements for all forms of stock-based compensation granted to directors, officers and employees, including stock options, based on the fair value method. Consequently, the deficit and other components of shareholders' equity at December 31, 2003 increased by \$198,624.

During the nine-month period ended September 30, 2004, the Company granted its employees and service suppliers 2,400,000 stock options. The fair value of these stock options amounts to \$313,224. The compensation charge for the period ended September 30, 2004 was \$54,160, including amortization based on the graded vesting method for grants made since January 1, 2002.

The fair value of options granted during the nine-month period ended September 30, 2004 was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Nine Months Ended September 30, 2004 \$
Risk-free interest rate	3.38%
Expected volatility	76%
Dividend yield	nil
Weighted average expected life	48 months

The Company is required to make pro-forma disclosures of loss, basic loss per share and diluted loss per share as if compensation charges had been included in the financial statements for options granted during fiscal 2003 based on the fair value method. However, no information is presented in the interim financial statements for the period ended September 30, 2003, as there was no material difference between the pro-forma net loss and the net loss per share.



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