



QUARTERLY REPORT
3rd quarter ending September 30, 2007

Message from the President and Chief Executive Officer

After six months at the helm, I am proud and excited to see the ever-growing popularity of Nstein's solutions among leading players in the e-publishing market. We are in a stronger position than ever—on a steady course toward achieving a positive EBITDA and with working capital to support the commercialization strategy of our online publishing solutions.

Our revenues in the third quarter reached \$4.1 million, up 45% over the \$2.8 million recorded a year earlier. Although these results show the signs of what is traditionally a slower quarter, they still bear witness to Nstein's appeal among key newspaper, magazine and online content providers.

Also in the third quarter, Nstein concluded a \$3-million private placement that significantly increased the Company's working capital, which now stands at \$8.1 million.

A prestigious roster of European and North American clients

I'm pleased to report that Nstein is pursuing the execution of its business plan and continuing to make important inroads into the e-publishing market—as confirmed by the signing of contracts in Q3 with organizations such as Gesca Digital, a subsidiary of Gesca, Canada's largest French language news group; News International, the UK subsidiary of News Corporation; and ImpreMedia, the number-one Hispanic online and print news and information company in the US.

By ramping up our prestigious client roster with 14 new major media organizations since the beginning of 2007 and expanding our relationship with existing clients such as Groupe Moniteur and Groupe La Provence, we are further reinforcing Nstein's position in the market.

The infrastructure to serve a growing number of clients

During the third quarter, Nstein deployed the required infrastructure for full-fledged customer delivery and customer care processes and systems, thus ensuring that the Company can support its rapidly growing client base.

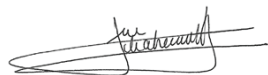
At the forefront of the e-publishing industry

Nstein's focus on delivering the most comprehensive and innovative online publishing solutions to newspapers, magazines and online content providers is also reflected in the Company's new branding and website (www.nstein.com), which incidentally was developed using Nstein's WCM (Web Content Management) solution.

Media and press companies are currently investing in their organizations to catch up with and recapture revenues from growing online advertising budgets. Nstein provides a complete content management framework to transition from a paper-centric to a dynamic digital approach so that these organizations can fully leverage new online revenue opportunities and better manage their digital assets.

In conclusion

Our strategy at this point is clear: to rapidly become the dominant player in powering online publishing. We will spare no efforts to accomplish this goal and will do so with a strong commitment to upholding sound business practices.



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 nine-month periods ended September 30, 2007. It also compares results of operations and cash flows for the three- and nine-month periods ended September 30, 2007, 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, 2006, 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 and Text Mining Engine products. www.nstein.com

Strategy

Since its creation, Nstein has been committed to developing and marketing text mining solutions that accelerate and improve multilingual search and content repurposing operations. Its Online Publishing Solutions are the result of years of experience and interaction with e-publishers, who were the first to recognize the potential impact of the technologies offered by Nstein on their firms' bottom line. The Company's solutions are the combination of Nstein's cutting-edge text mining technology with the content management platform developed by Eurocortex S.A.S. In 2007, Nstein continued to develop and commercialize its solutions, to which the market has been very receptive. Nstein's Online Publishing Solutions make it possible for e-publishers to quickly and easily migrate their paper-based content to digital format – something that is key to their success. Given that advertising revenues are gradually shifting away from paper and toward online content, publishers are pressed to find effective ways of meeting their readers' expectations 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 solutions. In addition, Nstein has set up a laboratory designed to deliver its technology in a B2C environment and establish the foundations for a new research environment that is more efficient and relevant than existing solutions.

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, in particular the acquisition of clients.

Selected financial information

(In Canadian dollars)	Three months ending September 30		Nine months ending September 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
Revenues	4,092,092	2,814,214	11,903,694	6,828,779
EBITDA*	(84,025)	(535,526)	(422,865)	(2,483,067)
Loss	(291,195)	(1,043,755)	(1,939,794)	(4,196,042)
Basic and diluted loss per share	(0.008)	(0.033)	(0.054)	(0.176)

* 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.

Operating results

Revenues

For the three-month period ended September 30, 2007, the Company recorded revenues of \$4,092,092, representing an increase of 45% over the revenues of \$2,814,214 for the corresponding period last year. This can be attributed to the increase in revenues from software licenses in the third quarter of 2007 and higher specialized services revenues. The Company derives most of its revenues from software licenses, post-sales technical support and specialized services. Given the relatively high unit price of its software licenses, the Company's results are materially affected when sales shift to a subsequent quarter. For the nine months ended September 30, 2007, revenues increased 74% to \$11,903,694 from the \$6,828,779 recorded for the same period last year.

Cost of sales, net of tax credits

Cost of sales includes human resources assigned to various projects (employees and external consultants), as well as third-party software charges. Cost of sales net of tax credits increased by 40% in the third quarter of 2007, reaching \$1,818,210, compared to \$1,300,780 for the corresponding period ended September 30, 2006. Cost of sales varies depending on the sales mix; direct costs are typically lower for software sales than for services. For the nine months ended September 30, 2007, cost of sales net of tax credits amounted to \$5,347,099, up from \$3,775,790 for the same period last year.

As a result of its eligibility for the Cité Multimédia Montréal program, the Company is entitled to a refundable tax credit of 40% on qualified salaries, up to a maximum of \$15,000 per employee. These tax credits amounted to \$48,750 for the third quarter of 2007, compared to \$19,170 in 2006, and \$134,976 for the nine months ended September 30, 2007 compared to \$67,338 for the same nine-month period in 2006. This increase in tax credits results from the hiring of new employees to deliver Nstein solutions.

Selling and administrative expenses

Selling and administrative expenses are mainly composed of salaries, commissions for sales personnel, travel expenses, office premises charges, professional fees and costs related to the management of a publicly held corporation. Selling and administrative expenses amounted to \$1,788,966 for the quarter ended September 30, 2007, compared to \$1,591,199 for the corresponding period last year. This 12% increase stems from the hiring of new employees to accelerate time-to-market for Nstein solutions.

Research and development expenses, net of tax credits

Research and development expenses are composed mainly of the human resources charges associated with various projects. The cost of research and development net of tax credits amounted to \$568,941 in third quarter 2007, compared to \$457,761 for the corresponding quarter in 2006. The Company increased its investment in research and development during the first nine months of the year, posting \$1,615,351 in expenses thus far in 2007, compared to \$1,343,882 for the corresponding nine-month period in 2006. Nstein plans to pursue its research activities to further refine its technologies for its leading-edge content management software for the media, publishing and entertainment industries.

The Company also benefits from tax credits for research and development. These tax credits stood at \$185,000 for the third quarter of 2007, compared to \$85,830 for Q3 2006, and at \$309,374 for the first nine months of 2007, compared to \$301,495 for the same period in 2006. This variation is mainly related to an increase in 2006 receivable tax credits during the quarter.

Amortization of intangible assets

Intangible assets consist of technologies acquired, client relationships, backlog, software licenses and non-competitive agreements. Amortization of intangible assets increased from \$73,927 for the third quarter of 2006 to \$109,817 for the third quarter of 2007. Amortization of intangible assets for the nine months ended September 30, 2007 totaled \$330,687 compared to \$222,624 for the same period in 2006, an increase of 49%. As a result of the acquisition of Eurocortex S.A.S. in 2006, the Company recorded intangible assets of \$496,000. This explains the increase in the amortization of intangible assets during the first nine months of 2007, compared to the same period last year.

Exchange gain and loss

The Company recorded a currency exchange gain of \$12,054 in third quarter 2007, compared to a gain of \$6,776 for the same quarter in 2006. For the nine months ended September 30, 2007, the Company posted a currency exchange loss of \$32,012 compared to an exchange gain of \$128,758 for the same period last year. The increase in the value of the Canadian dollar over the American dollar generated a significant gain on the convertible debentures denominated in US currency during the first nine months of 2006. This shift is due to the major reduction in convertible debt compared to the same period last year.

Financial expenses

Financial expenses amounted to \$62,035 for third quarter 2007, compared to \$403,853 for the same quarter in 2006. For the first nine months of 2007, financial expenses amounted to \$526,591, down from \$1,509,741 for the same period last year. This decrease is mainly the result of interest charges and the amortization of deferred financing expenses related to the convertible debentures contracted in 2005, for which the last installments were made on August 31, 2007.

Restructuring fees

During the second quarter of 2007, Nstein incurred an expense of \$488,241 for non-recurring restructuring fees. This was mainly attributable to the severance and other payroll benefits paid to former corporate executives and a founder. These amounts were paid out and include an expense of \$55,289 related to the value of the individuals' stock purchase plans.

Loss

Nstein recorded a loss of \$291,195, or \$0.008 per share, for the three-month period ended September 30, 2007, compared to a loss of \$1,043,755, or \$0.033 per share, for the corresponding period last year. For the first nine months of 2007, the Company recorded a loss of \$1,939,794, or \$0.054 per share, compared to \$4,196,042, or \$0.176 per share, for the same period last year. The decline is mainly the result of an increase in revenues, combined with a major reduction in interest charges related to the convertible debentures issued in 2005, and is partly offset by the increase in selling and administrative expenses and restructuring fees in 2007.

Selected quarterly financial information

<i>(In Canadian dollars)</i>	Fourth Quarter	First Quarter	Second Quarter	Third Quarter
	\$	\$	\$	\$
Quarter ending on	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sep 30, 2007
Revenues	3,888,532	3,803,874	4,007,729	4,092,092
EBITDA*	(302,804)	(194,525)	(144,315)	(84,025)
Loss	(638,330)	(638,596)	(1,010,003)	(291,195)
Basic and diluted loss per share	(0.020)	(0.019)	(0.028)	(0.008)

Quarter ending on	Dec 31, 2005	Mar 31, 2006	Jun 30, 2006	Sep 30, 2006
Revenues	1,481,773	2,053,392	1,961,173	2,814,214
EBITDA*	(1,780,745)	(807,538)	(1,140,003)	(535,526)
Loss	(3,898,646)	(1,472,878)	(1,679,409)	(1,043,755)
Basic and diluted loss per share	(0.209)	(0.079)	(0.079)	(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 September 30, 2007, cash and cash equivalents amounted to \$6,237,846, compared to \$2,367,125 as at December 31, 2006. The Company paid the final installment on its convertible debentures on August 31, 2007, thus releasing it from its obligation to maintain restricted cash.

Cash flows

Operating activities

Operating activities used \$214,443 in cash flows in third quarter 2007, compared to \$963,989 for the same period last year. The improvement can be attributed to the reduction in net loss. For the nine months ended September 30, 2007, the Company used \$2,056,290 for its operating activities compared to \$3,651,827 for the same period in 2006. The difference can be explained by the lower net loss, which was offset in part by a reduction in accounts payable during the first nine months of 2007.

Financing activities

Financing activities generated cash flows of \$2,549,859 in the third quarter of 2007, compared to a use of \$602,930 for the same quarter in 2006. During the quarter ended September 30, 2007, the Company concluded a private placement of \$3,000,000 with an institutional investor and a group of 27 employees of the Company, along with other investors.

The aggregate payments on the long-term debt stood at \$432,783 during the quarter, including the final installment of \$192,000 related to the balance of the purchase price of a subsidiary. A significant portion of the convertible debenture installments was reimbursed in common shares in order to reduce the use of cash. For the nine months ended September 30, 2007, financing activities generated cash flows of \$4,216,437 compared to \$8,015,307 for the same period in 2006, when the Company completed a private placement of \$10,000,000.

Investing activities

Cash flows generated by investing activities stood at \$322,365 for the three-month period ended September 30, 2007, compared to an use of \$17,294 for the same period in 2006. This is mainly due to restricted cash subject to an account control agreement, which decreased by \$401,904 during the third quarter of 2007.

For the nine months ended September 30, 2007, investing activities generated cash flows of \$1,710,574 compared to a usage of \$2,236,573 for the same period in 2006, when the original deposit of \$2,150,927 of restricted cash subject to an account control agreement was made.

The Company's forecast based on rational assumptions 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 for the foreseeable future.

Contractual obligations

(In Canadian dollars)

	Total	Less than 1 year	Installments payable, by period		
			1 to 3 years	4 to 5 years	Over 5 years
	\$	\$	\$	\$	\$
Long-term debt	1,207,898	357,324	526,219	191,249	133,106
Use of offices	1,521,174	388,385	776,770	356,020	-

On September 27, 2007, the Company issued 3,529,412 units at a price of \$0.85 each, for gross proceeds of \$3 million, as part of a private placement with an institutional investor and a group of 27 employees of the Company, along with other investors. Each unit consists of one common share, one-half of one A-tranche share purchase warrant and one-half of one B-tranche share purchase warrant. One whole A-tranche share purchase warrant entitles its holder to purchase one additional common share of Nstein's share capital at a price of \$1.50. One whole B-tranche share purchase warrant entitles its holder to purchase one additional common share of Nstein's share capital at a price of \$2.00. These share purchase warrants are valid for three years from the date of issue. The \$3 million in gross proceeds was divided up between common shares and warrants based on their relative fair values. Accordingly, \$2,258,846 was allocated to common shares and \$741,154 to warrants. The Black-Scholes pricing model was used to determine the fair value of the warrants, assuming a risk-free interest rate of 4.23%, an expected volatility of 83.5%, a dividend yield of nil and an expected life of 36 months. Unit issue costs of \$18,527 have been applied against the share capital and other equity components. Shares issued are subject to a four-month hold period.

Shareholders' equity

As at November 8, 2007, there were 41,116,860 common shares, 2,899,203 stock options and 5,249,218 warrants outstanding.

Significant accounting policies

Revenue recognition

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

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. 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, refundable tax credits, the useful lives of property, plant and equipment and intangible assets, impairment of long-lived assets, certain accrued liabilities and derivatives evaluation. Actual results may differ from those estimates.

Changes in accounting policies

On January 1, 2007, the Company adopted the new accounting standards of Section 1530, "Comprehensive Income", and Section 3855, "Financial Instruments – Recognition and Measurement", as well as Section 3861, "Financial Instruments – Disclosure and Presentation," of the Canadian Institute of Chartered Accountants (CICA) Handbook. The main changes in the new accounting standards are as follows:

Comprehensive income

Section 1530 introduces comprehensive income, which includes net income and the other components of comprehensive income. Comprehensive income is the change in a company's net assets for a period which results from transactions, events and circumstances from sources other than the company's shareholders.

Financial assets and financial liabilities

Section 3855 describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under this standard, all financial instruments are classified as one of the following: held-for-trading, held-to-maturity, available-for-sale, loans and receivables or other financial liabilities. Subsequent measurement is dependent upon the classification. Transaction fees related to held-for-trading financial instruments are considered an expense in the period in which they are incurred. Transaction fees for other financial instruments are capitalized upon initial recognition and reported with related financial instruments.

Held-for-trading financial assets and liabilities are measured at fair value, and gains and losses are recognized in net income. Held-to-maturity investments, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale financial assets are measured at fair value or at cost if there are no published price quotations in an active market, and gains and losses are recognized in comprehensive income.

Following the adoption of the new standard, the Company has classified its cash and cash equivalents and short-term restricted cash as held-for-trading financial assets. Term deposits are considered as held-to-maturity. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities.

The adoption of these new sections has had no material effect on the consolidated financial statements.

Future Accounting Changes

The CICA published the following new sections that will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007:

- a) 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.
- b) 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".
- c) Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non-compliance.

The Company has not completed the assessment of the effect of these new standards on its consolidated financial statements, which will apply in the fiscal year beginning on January 1, 2008.

Contingency

The Company and an educational institution are jointly facing a lawsuit for \$885,000. Management believes that the lawsuit is 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 September 30, 2007, 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 September 30, 2007.

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, 2006. 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 November 8, 2007. 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.

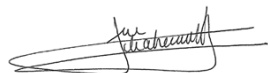
> www.nstein.com

NSTEIN TECHNOLOGIES INC.

Consolidated Balance Sheets[†]	As at September 30 2007 \$ (unaudited)	As at December 31 2006 \$
Assets		
Current assets		
Cash and cash equivalents	6,237,846	2,367,125
Short-term restricted cash	-	1,859,799
Term deposits	184,961	191,121
Accounts receivable	3,979,185	4,189,878
Refundable tax credits	1,163,707	780,267
Work in progress	823,305	578,105
Prepaid expenses	229,688	185,535
Current portion of balance receivable on the sale of software licenses	-	176,598
	12,618,692	10,328,428
Property, plant and equipment	445,443	455,902
Intangible assets	1,250,756	1,554,998
Deferred financing expenses	-	67,074
Goodwill	5,641,574	5,641,574
	19,956,465	18,047,976
Liabilities		
Current liabilities		
Bank loans	473,280	-
Accounts payable and accrued liabilities	3,126,061	3,726,835
Deferred revenues	565,294	655,896
Current portion of long-term debt (note 3)	357,324	2,121,927
	4,521,959	6,504,658
Long-term debt (note 3)	850,574	1,074,847
	5,372,533	7,579,505
Shareholders' Equity		
Share capital (note 4)	45,246,907	40,178,085
Other equity components (note 5)	2,974,491	2,269,836
Contributed surplus	813,921	532,143
Deficit	(34,451,387)	(32,511,593)
	14,583,932	10,468,471
	19,956,465	18,047,976
Contingency (note 10)		

† 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 September 30		Nine months ending September 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues (note 9)	4,092,092	2,814,214	11,903,694	6,828,779
Cost of sales, net of tax credits (note 6)	1,818,210	1,300,780	5,347,099	3,775,790
	2,273,882	1,513,434	6,556,595	3,052,989
Expenses				
Selling and administrative	1,788,966	1,591,199	5,364,109	4,192,174
Research and development, net of tax credits (note 6)	568,941	457,761	1,615,351	1,343,882
Depreciation of property, plant and equipment	47,373	37,225	139,399	109,368
Amortization of intangible assets	109,816	73,927	330,686	222,624
Exchange loss (gain)	(12,054)	(6,776)	32,012	(128,758)
Financial expenses (note 8a)	62,035	403,853	526,591	1,509,741
Restructuring fees (note 7)	-	-	488,241	-
	2,565,077	2,557,189	8,496,389	7,249,031
Net loss for the period	291,195	1,043,755	1,939,794	4,196,042
Deficit - Beginning of period	34,160,192	30,829,508	32,511,593	27,677,221
Deficit - End of period	34,451,387	31,873,263	34,451,387	31,873,263
Basic and diluted net loss per share	0.008	0.033	0.054	0.176
Basic and diluted weighted average number of shares outstanding	37,541,375	31,436,986	35,666,865	23,829,950

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

NSTEIN TECHNOLOGIES INC.

Consolidated Statements of Cash Flows [†]	Three months ending September 30		Nine months ending September 30	
	2007	2006	2007	2006
	\$ (unaudited)	\$ (unaudited)	\$ (unaudited)	\$ (unaudited)
Cash flows from operating activities				
Net loss for the period	(291,195)	(1,043,755)	(1,939,794)	(4,196,042)
Items not affecting cash and cash equivalents				
Interest capitalized on long-term debt	14,360	13,245	43,813	194,448
Unrealized exchange loss (gain)	(1,530)	20,860	(5,413)	(78,672)
Depreciation of property, plant and equipment	47,373	37,225	139,399	109,368
Amortization of intangible assets	109,816	73,927	330,686	222,624
Amortization of deferred financing expenses	5,692	68,595	67,074	224,613
Stock-based compensation costs	85,874	111,413	253,864	285,951
Costs related to the employee stock purchase plan	11,368	1,737	30,957	1,737
	(18,242)	(716,753)	(1,079,414)	(3,235,973)
Change in non-cash operating working capital items				
Accounts receivable	222,530	(644,893)	210,693	(793,302)
Refundable tax credits	(231,498)	75,761	(383,440)	(34,683)
Work in progress	(88,610)	85,193	(245,200)	(10,509)
Prepaid expenses	21,506	39,708	(44,153)	(25,352)
Balance receivable on the sale of software licenses	-	(2,698)	176,598	177,468
Accounts payable and accrued liabilities	(90,537)	15,801	(600,772)	74,752
Deferred revenues	(29,592)	183,892	(90,602)	195,772
	(196,201)	(247,236)	(976,876)	(415,854)
	(214,443)	(963,989)	(2,056,290)	(3,651,827)
Cash flows from financing activities				
Variation in bank loans	-	(150,000)	473,280	(248,952)
Long-term debt	-	-	-	1,300,000
Payments on long-term debt	(432,783)	(454,667)	(1,139,728)	(2,223,126)
Deferred financing expenses	-	-	-	(92,213)
Issuance of common shares, net of issue expenses	2,982,642	1,737	4,882,885	9,279,598
	2,549,859	(602,930)	4,216,437	8,015,307
Cash flows from investing activities				
Variation in term deposits	(11,341)	-	6,160	-
Variation in short-term restricted cash	401,904	-	1,859,799	(2,150,927)
Additions to property, plant and equipment	(60,811)	(14,674)	(129,817)	(77,160)
Additions to intangible assets	(7,387)	(2,620)	(26,446)	(8,486)
Proceeds from the sale of property, plant and equipment	-	-	878	-
	322,365	(17,294)	1,710,574	(2,236,573)
Net change in cash and cash equivalents	2,657,781	(1,584,213)	3,870,721	2,126,907
Cash and cash equivalents – Beginning of period	3,580,065	5,639,838	2,367,125	1,928,718
Cash and cash equivalents – End of period	6,237,846	4,055,625	6,237,846	4,055,625
Additional information (note 8b and c)				

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

Notes to Consolidated Financial Statements

Note 1 - Statutes and nature of activities

This Company, incorporated in January 2000 under Part 1A of the Québec Companies Act, develops and markets leading-edge content management software for the media, publishing and entertainment industries. 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 and Text Mining Engine products. www.nstein.com

Note 2 - Summary of significant accounting policies

Consolidation

These consolidated financial statements include the accounts of the Company and those of its wholly owned subsidiaries, Nstein R&D Inc., Nstein Technologies Corp., KMTTechnologies Inc., Alis Technologies Inc., Cabinet Conseil Valsar Inc. and Eurocortex S.A.S. ("Eurocortex")

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, refundable tax credits, the useful lives of property, plant and equipment and intangible assets, impairment of long-lived assets, certain accrued liabilities and derivatives evaluation. Actual results may differ from those estimates.

Revenue recognition, work in process and deferred revenues

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

On January 1, 2007, the Company adopted the new accounting standards of Section 1530, "Comprehensive Income", and Section 3855, "Financial Instruments – Recognition and Measurement", as well as Section 3861, "Financial Instruments – Disclosure and Presentation," of the Canadian Institute of Chartered Accountants (CICA) Handbook. The main changes in the new accounting standards are as follows:

Comprehensive income

Section 1530 introduces comprehensive income, which includes net income and the other components of comprehensive income. Comprehensive income is the change in a company's net assets for a period which results from transactions, events and circumstances from sources other than the company's shareholders.

Financial assets and financial liabilities

Section 3855 describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under this standard, all financial instruments are classified as one of the following: held-for-trading, held-to-maturity, available-for-sale, loans and receivables or other financial liabilities. Subsequent measurement is dependent upon the classification. Transaction fees related to held-for-trading financial instruments are considered an expense in the period in which they are incurred. Transaction fees for other financial instruments are capitalized upon initial recognition and reported with related financial instruments.

Held-for-trading financial assets and liabilities are measured at fair value, and gains and losses are recognized in net income. Held-to-maturity investments, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale financial assets are measured at fair value or at cost if there are no published price quotations in an active market, and gains and losses are recognized in comprehensive income. Following the adoption of the new standard, the Company has classified its cash and cash equivalents and short-term restricted cash as held-for-trading financial assets. Term deposits are considered as held-to-maturity. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities.

The adoption of these new sections has had no material effect on the consolidated financial statements.

Future Accounting Changes

The CICA published the following new sections that will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007:

- a) 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.
- b) 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".
- c) Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non-compliance.

The Company has not completed the assessment of the effect of these new standards on its consolidated financial statements, which will apply in the fiscal year beginning on January 1, 2008.

Comparative figures

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

Note 3 - Long-term debt

	September 30, 2007 \$ (Unaudited)	December 31, 2006 \$
Term loans		
- Discounted at 10%, payable in monthly installments 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	455,462	499,343
- Discounted at 8%, with the NRC, payable in two installments of \$95,000, in October 2006 and January 2007, and in quarterly installments of \$47,500 from October 2007, maturing in September 2009	354,762	429,169
- Discounted at 8%, with the National Research Council of Canada ("NRC"), payable in four annual installments of \$78,338, starting on January 1, 2007, maturing in January 2010	290,552	277,974
- 10%, for which a letter of credit in the amount of \$164,600 has been issued, payable in monthly installments 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	59,596	68,586
- 4% car loan, payable in monthly installments of \$1,139 (€803) including principal and interest, maturing in September 2011. A moveable hypothec on two cars has been given as security	47,526	61,036
- Secured convertible debentures, non-interest bearing, issued at discount, payable in 19 monthly installments of \$222,965 (US\$223,125) from February 2006 to September 2006, \$206,111 (US\$207,188) from October 2006 to July 2007 and a final installment of \$135,898 (US\$136,608) in August 2007*	-	1,560,014
- Discounted at 7%, balance of purchase price of a subsidiary, payable in three annual installments of \$192,000, maturing in September 2007	-	181,357
- Prime rate plus 2%, payable in monthly principal installments of \$15,377 plus interest, secured at 80% by Investissement Québec, maturing in August 2007. A moveable hypothec on all present and future assets, both tangible and intangible, of a subsidiary, has been given as security	-	119,295
	1,207,898	3,196,774
Less: Current portion	357,324	2,121,927
	850,574	1,074,847

* During the third quarter, regarding the monthly installments in capital and interest on this debt, the Company issued 299,898 common shares for a net value of \$194,337 and disbursed an amount of \$129,304.

Note 4 - 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

Note 4 - Share capital (suite)

The following table presents the share capital activity of the Company during the nine-month period ended September 30, 2007, and the year ended December 31, 2006:

	For the nine months ending September 30, 2007		For the year ending December 31, 2006	
	Number	Amount \$	Number	Amount \$
Balance – Beginning of period	33,303,337	40,178,085	18,642,229	29,534,130
Shares issued under the employee stock purchase plan	77,056	61,914	69,220	29,312
Business combination	-	-	1,013,152	329,676
Shares issued for cash, net of issue expenses	6,452,486	4,115,350	11,764,706	9,077,702
Shares issued for long-term debt repayment, and conversion	1,252,457	891,558	1,814,030	1,207,265
Outstanding – End of period	41,085,336	45,246,907	33,303,337	40,178,085

On May 7, 2007, the Company concluded a private placement of \$1,900,000 with a group of investors including members of the Board of Directors and the Company's management team. The Company issued 2,923,074 common shares at a price of \$0.65 per share. Shares issued are subject to a 4-month hold period.

On September 27, 2007, the Company issued 3,529,412 units at a price of \$0.85 each, for gross proceeds of \$3 million, as part of a private placement with an institutional investor and a group of 27 employees of the Company, along with other investors. Each unit consists of one common share, one-half of one A-tranche share purchase warrant and one-half of one B-tranche share purchase warrant. One whole A-tranche share purchase warrant entitles its holder to purchase one additional common share of Nstein's share capital at a price of \$1.50. One whole B-tranche share purchase warrant entitles its holder to purchase one additional common share of Nstein's share capital at a price of \$2.00. These share purchase warrants are valid for three years from the date of issue. The \$3 million in gross proceeds was divided up between common shares and warrants based on their relative fair values. Accordingly, \$2,258,846 was allocated to common shares and \$741,154 to warrants. The Black-Scholes pricing model was used to determine the fair value of the warrants, assuming a risk-free interest rate of 4.23%, an expected volatility of 83.5%, a dividend yield of nil and an expected life of 36 months. Unit issue costs of \$18,527 have been applied against the share capital and other equity components. Shares issued are subject to a four-month hold period.

Stock option plan

During the three-month period ended September 30, 2007, the Company granted 160,000 stock options to its employees. The fair value of the options granted during this period is \$123,769 and has been established using the Black-Scholes options pricing model with the following weighted average assumptions:

Risk-free interest rate	4.57%
Expected volatility	89.8%
Dividend yield	nil
Expected life	60 months

Note 5 - Other equity components

The following table presents the other equity components:

	As at September 30 2007	As at December 31 2006
	\$	\$
	(unaudited)	
Conversion option on a long-term debt	-	154,421
Stock option related to a business combination	-	108,589
Stock option-based compensation	1,142,878	911,790
Warrants	1,831,613	1,095,036
	2,974,491	2,269,836

Other equity components are detailed in the audited financial statements of December 31, 2006.

Note 6 – Tax credits

As a result of its eligibility for the Cité Multimédia Montréal program, the Company is entitled to a refundable tax credit of 40% on qualified salaries, up to a maximum of \$15,000 per employee. Those tax credits amounted to \$48,750 for the third quarter of 2007, compared to \$19,170 in 2006 and to \$134,976 for the nine months ended September 30, 2007 compared to \$67,338 in 2006.

The Company also benefits from tax credits for research and development. These tax credits stood at \$185,000 in third quarter 2007, compared to \$85,830 in 2006 and at \$309,374 for the first nine months of 2007, compared to \$301,495 in 2006.

Note 7 – Restructuring fees

During the third quarter of 2007, Nstein incurred an expense of \$488,241 for non-recurring restructuring fees. This was mainly attributable to the severance and other payroll benefits paid to former corporate executives and a founder. These amounts were paid out and include a \$55,289 expenses related to the value of these individual's stock purchase plan.

Note 8 - Additional information

Statement of earnings

a) Financial expenses

	Three months ending September 30		Nine months ending September 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amortization of deferred financing expenses	5,692	68,595	67,074	224,613
Interest on long-term debt	70,923	358,919	474,549	1,280,827
Interest and bank charges	5,162	18,130	42,027	61,181
Interest income	(19,742)	(41,791)	(57,059)	(56,880)
Total	62,035	403,853	526,591	1,509,741

Statement of cash flows

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

	Three months ending September 30		Nine months ending September 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Warrants issued	741,154	-	741,154	200,159
Convertible debentures converted into common shares	194,337	253,006	891,558	1,010,771
Transfer of the matured portion of options to the contributed surplus	128,037	-	259,000	-
Stock options granted as compensation transferred to the contributed surplus	-	-	22,776	-

c) Additional information

	Three months ending September 30		Nine months ending September 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest paid	36,217	330,734	384,724	1,036,587
Interest cashed	(744)	(22,015)	(55,288)	(35,955)

Note 9 - 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 all of the Company's property, plant and equipment are located in Canada.

Revenues by geographic region are detailed as follows:

	Three months ending September 30		Nine months ending September 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Canada	2,243,620	1,675,644	7,741,632	4,514,679
United States	1,063,036	855,151	1,994,631	1,309,199
Europe	785,436	283,419	2,167,431	1,004,901
Total	4,092,092	2,814,214	11,903,694	6,828,779

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

Note 10 - Contingency

The Company and an educational institution are jointly facing a lawsuit for \$885,000. Management believes that the lawsuit is unfounded; accordingly, no accrual has been recorded in this respect.



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