

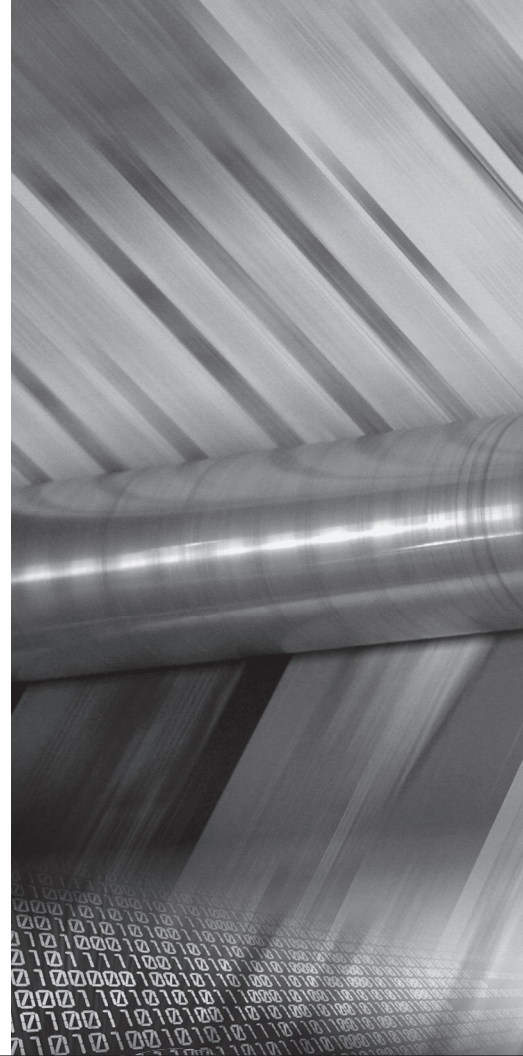


Connecting people with content

Quarterly Report

3rd quarter ending Sept. 30, 2009

2009



Message from the President and Chief Executive Officer

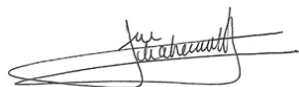


Highlights of the third quarter of 2009

The difficult economic environment, particularly for companies in the publishing and media sector, has affected the revenues of Nstein which totaled \$4.6 million in the third quarter, down 17% compared to \$5.6 million a year earlier. The Company posted a loss before financial expenses, income taxes, depreciation, amortization, exchange loss and restructuring fees (EBITDA) of \$823,915 almost unchanged compared to a negative EBITDA of \$818,202 for the third quarter of 2008. The net loss amounted to \$1,298,145 or \$0.025 per share, compared to a net loss of \$1,056,073 or \$0.021 per share for the same period the previous year.

The recession continued to affect revenues from new licenses and related services in the third quarter. Historically, new sales have been lower during the summer, and the current economic situation seems to have amplified this seasonal effect. Potential clients have postponed many projects, but we are confident that these sales will materialize by the end of the fiscal year. Despite the decrease in revenues, we have controlled our losses by applying cost-cutting measures in recent months. As the recession exits, the financial situation of the company remains sound and we will be well positioned when companies in the media sector resume investing in upgrading their digital operations. In addition, we recently announced initiatives intended to expand our offering to clients in the life sciences, government and enterprise sectors. Based on the strength of our experience in management of semantic content within the most demanding industry in this area, we are convinced that our solutions have great value for clients in these target sectors.

The Company's rapid development in recent years has been recognized by Deloitte's inclusion of Nstein in Technology Fast 50 Canada, for the fourth consecutive year. The Company also appears in the prestigious North American Technology Fast 500 ranking, compiled by Deloitte, which recognizes the fastest-growing technology, media, telecommunications, life sciences, and clean technology companies across North America based on the percentage of growth of their annual revenues over five years (www.fast500.com). We are very proud of these distinctions that highlight the dedicated work of our teams.



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, 2009. It also compares results of operations and cash flows for the three- and nine-month periods ended September 30, 2009, 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, 2008, 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: EIN) provides next generation content management solutions that help information-rich enterprises centralize, understand and manage vast amounts of content. At the heart of Nstein's solutions, semantic analysis allows information to be easily found and packaged together – so it can be connected to the right internal and external audiences. Nstein's Content Management and Web Publishing solutions both rely on Nstein's patented Text Mining Engine for semantic & text analysis. This unlocks content's value and allows clients (from an array of different industries) to leverage existing content to: create and deliver new products; facilitate internal and external research and knowledge sharing; and reduce content-related costs.

Strategy

Since its inception, the Company has been committed to developing and marketing digital 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 Company is actively pursuing the development and marketing of these solutions, toward which the market is very receptive. As amounts allocated to the Web by advertisers are increasing at the expense of amounts spent on printed publications, publishers must act quickly to offer their readers content on sites with leading edge functions. Similarly, because of the growing importance of the Web, all organizations that want to link their content to the right audience could benefit from Nstein's solutions. The Company recently announced initiatives intended to expand its offering to organizations in the life sciences, government and enterprise sectors.

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 September 30 | | Nine months ending September 30 | |
|----------------------------------|----------------------------------|-------------|---------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Revenues | 4,632,715 | 5,600,516 | 16,206,078 | 17,638,371 |
| EBITDA* | (823,915) | (818,202) | (1,241,703) | (2,461,870) |
| Loss | (1,298,145) | (1,056,073) | (2,793,361) | (3,499,690) |
| Basic and diluted loss per share | (0.025) | (0.021) | (0.054) | (0.071) |

* 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 cost-cutting measures put in place in 2009 enabled the Company to maintain EBITDA* at the same level than last year's third quarter despite a significant drop in revenues. These measures allowed us to improve the EBITDA* for the nine-month period ended September 30, 2009, compared with the same period in 2008.

Operating results

Revenues

The Company derives most of its revenues from the sale of software user licenses, post-sales technical support and specialized services. For the three month period ended September 30, 2009, the Company recorded revenues of \$4,632,715, representing a decrease of 17% compared to revenues of \$5,600,516 in the corresponding previous period. Because of the difficult economic environment, potential clients have deferred their purchasing decisions, which had a direct impact on revenues from licenses and related services revenues. The revenues for the nine months ended September 30, 2009 totalled \$16,206,078, versus \$17,638,371 one year earlier, an 8% decrease. Given the high unit price of its software licenses, the Company's results are materially affected when sales shift to a subsequent quarter.

Cost of sales, net of tax credits

The cost of sales comprises human resources assigned to the various projects (employees and external consultants), as well as third-party software charges. The cost of sales, net of tax credits, fell by 17% to \$2,221,832 for the quarter ended on September 30, 2009, compared to \$2,663,933, for the corresponding period ended on September 30, 2008, maintained at 48% of revenues. The cost of sales varies according to the level and composition of revenues, since direct costs are lower for revenues from the sale of software user licenses compared to revenues from specialized services. For the first nine months of 2009, the cost of sales was \$7,704,247 or 48% of revenues, lower than the \$8,050,086 or 46% of revenues recorded a year ago.

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. This program expires in December 2010. However, the Government of Québec announced the introduction of a new information technology tax credit, which could allow the Company to continue to benefit from equivalent assistance. These tax credits, applied against the cost of sales, amounted to \$85,406 for the third quarter of 2009 compared to \$67,500 in 2008 and \$380,647 for the first nine months of 2009 compared to \$213,120 in 2008. The increase in tax credits for the first nine months of 2009 is due to an upward adjustment of tax credit receivables from the previous year.

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 \$2,553,672 or 55% of revenues for the third quarter of 2009, compared to \$3,029,453 or 54% of revenues for the corresponding period ended September 30, 2008. The expense reduction results mainly from cost-cutting measures introduced in 2009. For the first nine months of 2009, selling and administrative expenses amounted to \$7,804,763, a decrease compared to

\$9,414,442 recorded a year ago and represented 48% of revenues for the first nine months of 2009, compared 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 of research and development. Research and development expenses, net of tax credits, amounted to \$679,921 or 15% of revenues for the third quarter of 2009, compared to \$725,332 or 13% of revenues for the corresponding quarter of 2008. The decrease is due to the reduction of staff assigned to research and development activities. For the first nine months of 2009, research and development expenses, net of tax credits, amounted to \$1,932,184 equivalent to 12% of revenues, compared to \$2,635,713 in 2008, representing 15% of revenues. Nstein is continuing to develop solutions to allow companies that process large volumes of data to centralize, understand and manage their content.

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 \$140,354 for the third quarter of 2009, compared to \$263,646 in 2008 and \$494,112 for the first nine months of 2009, against \$778,950 in 2008. This reduction is due to the lower research and development expenses in 2009 and an upward adjustment of the tax credits in 2008.

Amortization of intangible assets

Intangible assets consist of acquired technologies, backlog, client relationships, software licenses and non-competition agreements. The amortization of intangible assets fell to \$193,148 in the third quarter of 2009, compared to \$264,127 in the third quarter of 2008. Amortization of intangible assets for the nine months ended September 30, 2009 totaled \$603,912 compared to \$673,143 a year ago.

Exchange gain and loss

The company recorded an exchange loss of \$257,051 in the third quarter of 2009 compared to a gain of \$2,729 in the third quarter of 2008 and a loss of \$346,249 for the first nine months of 2009 compared to a gain of \$83,023 in 2008. The quick appreciation of the Canadian dollar in the third quarter of 2009 resulted in a loss on assets denominated in American dollars, Euros and pounds sterling.

Financial expenses

The Company incurred financial expenses of \$10,096 in the third quarter of 2009, compared to financial revenues of \$49,204 for the same quarter in 2008. For the first nine months of 2009, the Company recorded expenses of \$50,084 compared to revenues of \$103,942 in 2008. This difference is attributable to the decrease in interest income from cash and cash equivalents. Lower interest rates in 2009 and the reduced level of cash and cash equivalents since 2008 explain this decrease.

Loss

Nstein recorded a loss of \$1,298,145 or \$0.025 per share for the three-month period ended September 30, 2009, compared to a loss of \$1,056,073 or \$0.021 per share for the corresponding previous period. For the first nine months of 2009, the Company recorded a loss of \$2,793,361, or \$0.054 per share, compared to \$3,499,690, or \$0.071 per share, for the same period last year. The lower loss is mainly due to cost reduction measures implemented in 2009.

The Company continue to rigorously manages its costs and closely tracks its activities in each region, adapting and realigning the organization as necessary in order to maintain an optimal financial situation in the context of current economic conditions.

Selected quarterly financial information

| | Third Quarter \$ | Second Quarter \$ | First Quarter \$ | Fourth Quarter \$ |
|----------------------------------|------------------------|-------------------------|------------------------|-------------------------|
| Quarter ending on | Sep 30, 2009 | Jun 30, 2009 | Mar 31, 2009 | Dec 31, 2008 |
| Revenues | 4,632,715 | 6,188,031 | 5,385,332 | 8,073,965 |
| EBITDA* | (823,915) | 335,182 | (752,970) | 813,915 |
| Loss | (1,298,145) | (258,841) | (1,236,375) | 1,350,304 |
| Basic and diluted loss per share | (0,025) | (0,005) | (0,024) | 0,026 |

| | Sep 30, 2008 | Jun 30, 2008 | Mar 31, 2008 | Dec 31, 2007 |
|----------------------------------|--------------|--------------|--------------|--------------|
| Revenues | 5,600,516 | 6,008,624 | 6,029,231 | 6,268,163 |
| EBITDA* | (818,202) | (1,176,642) | (467,026) | 555,970 |
| Loss | (1,056,073) | (1,551,727) | (891,890) | 109,713 |
| Basic and diluted loss per share | (0,021) | (0,030) | (0,019) | 0,003 |

* 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, 2009, cash and cash equivalents amounted to \$5,708,780, compared to \$7,405,217 as at December 31, 2008.

Cash flows

Operating activities

Cash flows allocated to operating activities totalled \$197,567 for the third quarter of 2009, compared to \$610,450 in 2008. The variation is largely attributable to the non-cash elements of working capital: the Company collected substantial accounts receivable in the third quarter of 2009. For the nine months period ended September 30, 2009, operating activities used \$1,240,157 in cash flow compared to \$105,054 for the same period in 2008, while the Company collected tax credits during this period.

Financing activities

Financing activities used cash flows of \$57,848 in the third quarter of 2009, compared to \$599,756 for the same quarter in 2008. The payment of a portion of the balance of purchase price of Picdar is the main reason for the outflow in 2008. For the first nine months of 2009, the cash flows allocated to financing activities totalled \$204,332 compared to \$2,360,149 in 2008, the Company had affected \$1,613,801 to pay the balance purchase price of Picdar and had repaid a bank loan of \$452,742 during the period.

Investing activities

Cash flows used in investing activities amounted to \$29,509 for the third quarter of 2009, compared to \$209,299 for the same period in 2008. For the nine months ended September 30, 2009, the Company used \$251,948 for its investing activities compared to \$2,960,571 for the same period in 2008. This difference is mainly due to the use of cash dedicated to the acquisition of Picdar in 2008.

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.

Credit facilities

The Company has a line of credit with a Canadian chartered bank from which it can obtain advances of up to \$1 million. This line of credit, which is renewable annually, bears an interest rate of prime plus 1.75%. This line of credit is secured by movable hypothec on the

universality of receivables and is subject to the Company's maintaining certain financial ratios usually associated with such credit facility. As at September 30, 2009, the Company respected these ratios and the line of credit was unused.

Contractual obligations

| | Total | Less than 1 year | Installments payable, by period | | |
|---|-----------|------------------|---------------------------------|--------------|--------------|
| | | | 1 to 3 years | 4 to 5 years | Over 5 years |
| | \$ | \$ | \$ | \$ | \$ |
| Long-term debt | 568,124 | 257,034 | 250,647 | 60,443 | - |
| Use of offices | 2,349,708 | 1,050,320 | 1,040,141 | 145,887 | 113,360 |
| Royalties on utilization of software licenses | 250,000 | 225,000 | 25,000 | - | - |

Shareholders' equity

On November 12, 2009, the Company had 52,287,630 common shares, 3,221,417 stock options and 5,049,218 warrants outstanding.

Business combination

On February 13, 2008, the Company acquired all of the outstanding shares of 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 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). The surplus working capital and an amount of \$6,617,700 (£3,375,000) were paid upon closing of the Transaction. 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.

In July 2008, the company settled the first annual installment of the value of the company through the issuance of 191,144 common shares with a carrying value of \$121,580 and a cash payment of \$533,210 (£265,781). No annual instalments were paid in 2009 since the objectives were not reached.

Outlook

Due to the current economic situation, advertisers have greatly reduced their spending thus negatively affecting the publishing industry. We anticipate that these unfavourable conditions will continue to represent challenges in the coming months. The management's priorities during this period of economic uncertainty are obviously the protection of liquid assets, EBITDA* and human capital. However, if market conditions continue to worsen, the Company will be ready to apply additional measures to protect its liquid assets. The Company however believes that it does not have to make adjustments to its sale price structure. To revive growth, the company intends to expand its offering to organizations in the life sciences, government and enterprise sectors.

Significant accounting policies

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 based on available discounted cash flows. 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 goodwill is determined in 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 elected to perform its annual impairment test in December of each year.

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

On January 1, 2009, the Company adopted the new accounting standards of Section 3064 "Goodwill and Intangible Assets," which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets after their initial recognition. The new section replaces Section 3062 "Goodwill and Other Intangibles" and Section 3450 "Research and Development." Various modifications have been made to other sections of the CICA Handbook for the sake of consistency.

The company has applied these new accounting standards prospectively and does not anticipate any impact on its consolidated financial statements.

Future Accounting Changes

In January 2009, the CICA issued sections 1582 "Business Combinations," 1601 "Consolidated Financial Statements," and 1602 "Non-Controlling Interests."

Section 1582 will be converged with IFRS 3, "Business Combinations." Section 1602 will be converged with the requirements of IAS 27, "Consolidated and Separate Financial Statements," concerning non-controlling interests. Finally, Section 1601 will carry forward the requirements of Section 1600 "Consolidated Financial Statements," other than those affecting non-controlling interests.

Section 1582 applies to operations where the purchaser obtains control of one or more businesses. The term "business" is more broadly defined in the current standard. Most assets acquired and liabilities assumed, including contingent liabilities considered "improbable," will be measured at their fair value. Acquisition costs must be expensed.

Pursuant to Section 1602, any non-controlling interest will be recognized as a separate component of shareholders' equity. The calculation of net earnings does not show any deduction for non-controlling interests. Instead, net earnings will be allocated between controlling and non-controlling interests.

The new standards will come into force in 2011. The Company is currently evaluating the impact of the adoption of these new standards on its consolidated financial statements.

Harmonization of Canadian and international standards

In February 2008, the Accounting Standards Board of Canada confirmed that Canadian GAAP, publicly accountable enterprises, will be converged with the International Financial Reporting Standards ("IFRS") published by the International Accounting Standards Board ("IASB"). The Company will have to present its interim and annual financial statements for fiscal 2011 according to IFRS.

The Company has established a changeover plan for conversion to these new standards according to the timetable set for these new rules. The implementation plan includes three main phases, i.e. initial assessment of impacts and definition of their scope, analysis of the repercussions and design, implementation and review.

In its preliminary comparative analysis of IFRS and Canadian GAAP, the Company detected some differences. At this time, the impacts on the financial position and future operating results cannot be established or estimated in a reasonable way. The Company continues its review of standards applicable to Nstein and is currently assessing these impacts.

Contingency

In January 2008, a subsidiary of the Company was given notice of a lawsuit, alleging the existence of a verbal license agreement and seeking to force it to provide software or alternatively pay US\$500,000 in damages. Management denies the existence of such an agreement and believes this suit to be without merit. Accordingly, no provision has been recorded for this purpose.

Controls and procedures

Nstein is a venture issuer and accordingly not required to certify the design and effectiveness of its controls. Nstein's management attributes great importance to the quality of its internal controls and makes sure that the controls in place adequately protect the Company's assets and ensure the production of complete and quality financial information.

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, 2008. 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 12, 2009. Additional information on the Company can be found on the SEDAR Web site at www.sedar.com.



Bruno Martel

Chef de la direction financière

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 | As at December 31 |
|--|---------------------------|--------------------------|
| | 2009 | 2008 |
| | \$ | \$ |
| | (unaudited) | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 5,708,780 | 7,405,217 |
| Term deposits | 164,600 | 214,600 |
| Accounts receivable | 4,045,889 | 6,864,825 |
| Refundable tax credits | 1,859,236 | 984,478 |
| Income taxes receivable | - | 335,656 |
| Work in progress | 765,080 | 680,639 |
| Prepaid expenses | 240,739 | 207,389 |
| | 12,784,324 | 16,692,804 |
| Property, plant and equipment | 591,706 | 736,506 |
| Intangible assets | 2,779,632 | 3,364,257 |
| Goodwill (note 4) | 10,496,905 | 10,496,905 |
| | 26,652,567 | 31,290,472 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 3,173,088 | 4,442,361 |
| Deferred revenues | 2,526,162 | 3,236,640 |
| Future income tax liabilities | 150,315 | 150,315 |
| Current portion of long-term debt (note 6) | 257,034 | 330,503 |
| | 6,106,599 | 8,159,819 |
| Long-term debt (note 6) | 311,090 | 520,799 |
| Future income tax liabilities | 463,994 | 571,071 |
| | 6,881,683 | 9,251,689 |
| Shareholders' Equity | | |
| Share capital | 54,216,982 | 54,028,128 |
| Other equity components | 2,771,627 | 2,695,998 |
| Contributed surplus | 2,066,696 | 1,805,717 |
| Deficit | (39,284,421) | (36,491,060) |
| | 19,770,884 | 22,038,783 |
| | 26,652,567 | 31,290,472 |
| Contingency (note 13) | | |

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

NSTEIN TECHNOLOGIES INC.**Consolidated Statements of Shareholders' Equity[†]****As at September 30****(unaudited)**

| | Share capital | | Other equity components | Contributed surplus | Deficit | Shareholders' equity |
|--|-------------------|-------------------|-------------------------|---------------------|---------------------|----------------------|
| | Common shares | | | | | |
| | Number | \$ | \$ | \$ | \$ | \$ |
| 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 | 87,291 | (35,003) | - | - | 52,288 |
| Shares issued under the employee stock purchase plan | 129,154 | 114,255 | - | - | - | 114,255 |
| Shares issued upon the exercise of special warrants, net of issue expenses | 8,000,000 | (161,172) | - | - | - | (161,172) |
| Issuance of shares related to business combination (note 4) | 2,026,624 | 1,275,881 | - | - | - | 1,275,881 |
| Reversal of stock options granted as compensation following employee departure | - | - | (242,982) | 242,982 | - | - |
| Stock-based compensation costs | - | - | 382,483 | - | - | 382,483 |
| Net loss and comprehensive loss for the period | - | - | - | - | (3,499,690) | (3,499,690) |
| Balance as at September 30, 2008 | 51,407,981 | 53,968,530 | 2,928,056 | 1,466,979 | (37,841,364) | 20,522,201 |
| Balance as at December 31, 2008 | 51,566,057 | 54,028,128 | 2,695,998 | 1,805,717 | (36,491,060) | 22,038,783 |
| Shares issued upon the exercise of stock options | 4,167 | 1,917 | (750) | - | - | 1,167 |
| Shares issued under the employee stock purchase plan | 606,363 | 186,937 | - | - | - | 186,937 |
| Reversal of stock options granted as compensation following employee departure | - | - | (260,979) | 260,979 | - | - |
| Stock-based compensation costs | - | - | 337,358 | - | - | 337,358 |
| Net loss and comprehensive loss for the period | - | - | - | - | (2,793,361) | (2,793,361) |
| Balance as at September 30, 2009 | 52,176,587 | 54,216,982 | 2,771,627 | 2,066,696 | (39,284,421) | 19,770,884 |

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

NSTEIN TECHNOLOGIES INC.

| | Three months ending September 30 | | Nine months ending September 30 | |
|--|----------------------------------|-------------------|---------------------------------|-------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenues (note 12) | 4,632,715 | 5,600,516 | 16,206,078 | 17,638,371 |
| Cost of sales, net of tax credits (note 9) | 2,221,832 | 2,663,933 | 7,704,247 | 8,050,086 |
| | 2,410,883 | 2,936,583 | 8,501,831 | 9,588,285 |
| Expenses | | | | |
| Selling and administrative | 2,553,672 | 3,029,453 | 7,804,763 | 9,414,442 |
| Research and development, net of tax credits (note 9) | 679,921 | 725,332 | 1,932,184 | 2,635,713 |
| Depreciation of property, plant and equipment | 49,248 | 81,255 | 179,659 | 226,431 |
| Amortization of intangible assets | 193,148 | 246,127 | 603,912 | 673,143 |
| Loss on disposal of property, plant and equipment | 1,205 | - | 6,587 | - |
| Exchange loss (gain) | 257,051 | (2,729) | 346,249 | (83,023) |
| Financial (revenues) expenses (note 11a) | 10,096 | (49,204) | 50,084 | (103,942) |
| Restructuring fees (note 10) | - | - | 478,826 | 419,156 |
| | 3,744,341 | 4,030,234 | 11,402,264 | 13,181,920 |
| Loss before income tax | 1,333,458 | 1,093,651 | 2,900,433 | 3,593,635 |
| Recovery of income tax | | | | |
| Future income tax | (35,313) | (37,578) | (107,072) | (93,945) |
| | (35,313) | (37,578) | (107,072) | (93,945) |
| Net loss and comprehensive loss for the period | 1,298,145 | 1,056,073 | 2,793,361 | 3,499,690 |
| Deficit - Beginning of period | 37,986,276 | 36,785,291 | 36,491,060 | 34,341,674 |
| Deficit - End of period | 39,284,421 | 37,841,364 | 39,284,421 | 37,841,364 |
| Basic and diluted net loss per share | 0.025 | 0.021 | 0.054 | 0.071 |
| Basic and diluted weighted average number of shares outstanding | 52,098,939 | 51,340,575 | 51,902,453 | 49,609,672 |

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

| Consolidated Statements of Cash Flows [†] | Three months ending September 30 | | Nine months ending September 30 | |
|--|----------------------------------|--------------------|---------------------------------|--------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ (unaudited) | \$ (unaudited) | \$ (unaudited) | \$ (unaudited) |
| Cash flows from operating activities | | | | |
| Net loss for the period | (1,298,145) | (1,056,073) | (2,793,361) | (3,499,690) |
| Items not affecting cash and cash equivalents | | | | |
| Interest capitalized on long-term debt | 1,473 | 3,633 | 8,635 | 18,254 |
| Unrealized exchange loss (gain) | (2,722) | (28,987) | (1,956) | 40,917 |
| Depreciation of property, plant and equipment | 49,248 | 81,255 | 179,659 | 226,431 |
| Amortization of intangible assets | 193,148 | 246,127 | 603,912 | 673,143 |
| Loss on disposal of property, plant and equipment | 1,205 | - | 6,587 | - |
| Stock-based compensation costs | 107,192 | 116,326 | 337,358 | 382,483 |
| Compensation costs related to the deferred share unit plan for directors | 6,765 | - | (99,704) | 75,500 |
| Costs related to the employee stock purchase plan | 31,362 | 22,332 | 93,468 | 57,128 |
| Recovery of income tax | (35,313) | (37,578) | (107,072) | (93,945) |
| | (945,787) | (652,965) | (1,772,474) | (2,119,779) |
| Change in non-cash operating working capital items | | | | |
| Accounts receivable | 2,362,305 | 954,342 | 2,818,936 | 2,671,783 |
| Refundable tax credits | (225,759) | (321,144) | (874,758) | (63,183) |
| Income tax receivable | - | - | 335,656 | - |
| Work in progress | 91,524 | (125,281) | (84,441) | (689,059) |
| Prepaid expenses | (34,682) | 74,721 | (33,350) | (43,370) |
| Accounts payable and accrued liabilities | (496,184) | (18,386) | (919,248) | (202,456) |
| Deferred revenues | (948,984) | (521,737) | (710,478) | 341,010 |
| | 748,220 | 42,515 | 532,317 | 2,014,725 |
| | (197,567) | (610,450) | (1,240,157) | (105,054) |
| Cash flows from financing activities | | | | |
| Variation in bank loans | - | - | - | (452,742) |
| Payments on long-term debt | (90,377) | (83,878) | (298,967) | (272,844) |
| Payment on Balance of purchase price of a subsidiary (note 4) | - | (533,210) | - | (1,613,801) |
| Issuance of common shares, net of issue expenses | 32,529 | 17,332 | 94,635 | (20,762) |
| | (57,848) | (599,756) | (204,332) | (2,360,149) |
| Cash flows from investing activities | | | | |
| Variation in term deposits | - | (50,000) | 50,000 | (29,214) |
| Business acquisitions, net of cash and cash equivalents | (32,585) | (73,475) | (250,325) | (2,722,169) |
| Additions to property, plant and equipment | (11,000) | (79,037) | (69,156) | (174,175) |
| Additions to intangible assets | - | (6,787) | (20,670) | (35,013) |
| Proceeds from the sale of property, plant and equipment | 14,076 | - | 38,203 | - |
| | (29,509) | (209,299) | (251,948) | (2,960,571) |
| Decrease in cash and cash equivalents | (284,924) | (1,419,505) | (1,696,437) | (5,425,774) |
| Cash and cash equivalents – Beginning of period | 5,993,704 | 7,724,586 | 7,405,217 | 11,730,855 |
| Cash and cash equivalents – End of period | 5,708,780 | 6,305,081 | 5,708,780 | 6,305,081 |
| Additional information (note 11b 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

The Company, incorporated in January 2000 under Part 1A of the Québec Companies Act, provides next generation content management solutions that help information-rich enterprises centralize, understand and manage vast amounts of content. At the heart of Nstein's solutions, semantic analysis allows information to be easily found and packaged together – so it can be connected to the right internal and external audiences. Nstein's Content Management and Web Publishing solutions both rely on Nstein's patented Text Mining Engine for semantic & text analysis. This unlocks content's value and allows clients (from an array of different industries) to leverage existing content to: create and deliver new products; facilitate internal and external research and knowledge sharing; and reduce content-related costs.

Note 2 – Interim financial information

The financial information as at September 30, 2009 and for the three-month and nine-month periods ended September 30, 2009 and 2008 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 of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

These interim consolidated financial statements have been 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 Technologies Corp., Nstein Technologies France S.A.S.U., 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

On January 1, 2009, the Company adopted the new accounting standards of Section 3064 "Goodwill and Intangible Assets," which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets after their initial recognition. The new section replaces Section 3062 "Goodwill and Other Intangibles" and Section 3450 "Research and Development." Various modifications have been made to other sections of the CICA Handbook for the sake of consistency.

The company has applied these new accounting standards prospectively and does not anticipate any impact on its consolidated financial statements.

Future Accounting Changes

In January 2009, the CICA issued sections 1582 "Business Combinations," 1601 "Consolidated Financial Statements," and 1602 "Non-Controlling Interests."

Section 1582 will be converged with IFRS 3, "Business Combinations." Section 1602 will be converged with the requirements of IAS 27, "Consolidated and Separate Financial Statements," concerning non-controlling interests. Finally, Section 1601 will carry forwards the requirements of Section 1600 "Consolidated Financial Statements," other than those affecting non-controlling interests.

Section 1582 applies to operations where the purchaser obtains control of one or more businesses. The term "business" is more broadly defined in the current standard. Most assets acquired and liabilities assumed, including contingent liabilities considered "improbable," will be measured at their fair value. Acquisition costs must be expensed.

Pursuant to Section 1602, any none controlling interest will be recognized as a separates component of shareholders' equity. The calculation of net earnings does not show any deduction for non-controlling interests. Instead, net earnings will be allocated between controlling and non-controlling interests.

The new standards will come into force in 2011. The Company is currently evaluating the impact of the adoption of these new standards on its consolidated financial statements.

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 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). The surplus working capital and an amount of \$6,617,700 (£3,375,000) were 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.

In July 2008, the company settled the first annual instalment of the value of the company through the issuance of 191,144 common shares with a carrying value of \$121,580 and a cash payment of \$533,210 (£265,781). No annual instalments were paid in 2009 since the objectives were not reached.

The following table summarizes the purchase price allocation, established with the help of independent experts, 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 | |
| Core technology | 2,254,920 |
| Backlog | 32,353 |
| Customer relationships | 656,868 |
| Non-compete agreements | 101,962 |
| 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 | 4,855,331 |
| Purchase price | 12,108,140 |
| 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 | 862,114 |
| | 12,108,140 |

Note 5 – Credit facilities

The Company has a line of credit with a Canadian chartered bank from which it can obtain advances of up to \$1 million. This line of credit, which is renewable annually, bears an interest rate of prime plus 1.75%. This line of credit is secured by movable hypothec on the universality of receivables and is subject to the Company’s maintaining certain financial ratios usually associated with such credit facility. As at September 30, 2009, the Company respected these ratios and the line of credit was unused.

Note 6 – Long-term debt

| | September 30, 2009 \$ (unaudited) | December 31, 2008 \$ |
|---|--|----------------------------|
| 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 a subsidiary, has been given as security | 320,845 | 374,531 |
| - Discounted at 8%, with the National Research Council of Canada ("NRC"), payable in quarterly instalments of \$47,500 from October 2007, maturing in July 2009 | - | 91,210 |
| - Discounted at 8%, with the NRC, payable in four annual instalments of \$78,338, starting on January 1, 2007, maturing in January 2010 | 76,272 | 149,764 |
| - 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* | 32,063 | 43,035 |
| - 4%, payable in monthly instalments of \$614 (€392) including principal and interest, maturing in June 2011. A moveable hypothec on a vehicle with a net carrying value of \$11,759 has been given as security | 12,448 | 19,004 |
| - 5%, payable in monthly instalments of \$767 (€448) including principal and interest, maturing in November 2010. A moveable hypothec on a vehicle with a net carrying value of \$19,439 has been given as security | 16,991 | 23,559 |
| Obligations under capital leases | | |
| - Discounted at 7.75%, payable in total monthly instalments of \$6,447 including principal and interest, maturing between August 2010 and January 2012 | 109,505 | 150,199 |
| | 568,124 | 851,302 |
| Less: Current portion | 257,034 | 330,503 |
| | 311,090 | 520,799 |

* The letter of credit also aims to guarantee the obligations of the company under a lease.

Note 7 – 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 8 – Other equity components

The following table presents the other equity components:

| | As at September 30 2009 \$ (unaudited) | As at December 31 2008 \$ |
|---------------------------------|---|---------------------------------|
| Stock option-based compensation | 1,282,398 | 1,206,769 |
| Warrants | 1,489,229 | 1,489,229 |
| | 2,771,627 | 2,695,998 |

Stock-based compensation plans

Stock option plan

During the three months ended September 30 2009, the Company has not granted any stock options.

Warrants

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

| | As at September 30 2009 \$ (unaudited) | As at December 31 2008 \$ |
|---|---|---------------------------------|
| 354,000 w arrants at \$1.00, maturing on November 7, 2009 | 168,955 | 168,955 |
| 1,764,705 w arrants at \$1.50, maturing on September 27, 2010 | 404,181 | 404,181 |
| 1,764,707 w arrants at \$2.00, maturing on September 27, 2010 | 332,396 | 332,396 |
| 1,166,865 w arrants at \$1.80, maturing on October 12, 2010 | 383,538 | 383,538 |
| 352,941 w arrants at \$0.85, maturing on June 12, 2011 | 200,159 | 200,159 |
| | 1,489,229 | 1,489,229 |

Note 9 – 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. These tax credits, presented in reduction of cost of sales, amounted to \$85,406 for the third quarter of 2009 compared to \$67,500 in 2008 and \$380,647 for the first nine months of 2009 compared to \$213,120 in 2008.

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 \$140,354 for the third quarter of 2009, compared to \$263,646 in 2008 and \$494,112 for the first nine months of 2009, against \$778,950 in 2008.

Note 10 – Restructuring fees

The Company has incurred no restructuring charges during the third quarter of 2009. During the first nine months of 2009, the Company incurred restructuring fees totalling \$478,826 compared to \$419,156 in 2008. These fees were incurred as severance pay due to the abolition of positions. These fees were paid.

Note 11 – Additional information

Statement of earnings

a) Financial expenses

| | Three months ending September 30 | | Nine months ending September 30 | |
|----------------------------|----------------------------------|-------------|---------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Interest on long-term debt | 13,658 | 19,831 | 50,040 | 69,174 |
| Interest and bank charges | 5,644 | 19,878 | 36,774 | 35,962 |
| Interest income | (9,206) | (88,913) | (36,730) | (209,078) |
| Total | 10,096 | (49,204) | 50,084 | (103,942) |

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 | |
|---|----------------------------------|-------------|---------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Stock options transferred to the contributed surplus following employees departure | 19,329 | 46,660 | 260,979 | 242,982 |
| Stock options exercised transferred to share capital | 750 | - | 750 | 35,003 |
| Business combination-related costs included in accounts payable and accrued liabilities | - | - | - | 585,052 |
| Issue expenses included in accounts payable and accrued liabilities | - | - | - | 102,434 |
| Assets under a capital lease | - | 8,537 | 9,110 | 103,396 |

c) Additional information

| | Three months ending September 30 | | Nine months ending September 30 | |
|-----------------|----------------------------------|-------------|---------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Interest paid | 13,922 | 16,548 | 48,201 | 49,850 |
| Interest cashed | (5,890) | (159,852) | (44,012) | (236,326) |

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 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 | |
|---------------|----------------------------------|-------------|---------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Canada | 2,178,165 | 2,334,863 | 6,169,485 | 7,328,207 |
| United States | 941,847 | 1,506,733 | 4,002,922 | 5,082,495 |
| Europe | 1,512,703 | 1,758,920 | 6,033,671 | 5,227,669 |
| Total | 4,632,715 | 5,600,516 | 16,206,078 | 17,638,371 |

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

Note 13 - Contingency

In January 2008, a subsidiary of the Company was given notice of a lawsuit, alleging the existence of a verbal license agreement and seeking to force it to provide software or alternatively pay US\$500,000 in damages. Management denies the existence of such an agreement and believes this suit to be without merit. Accordingly, no provision has been recorded for this purpose.



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