

Quarterly Report for our Shareholders



Quarter ending March 31, 2001

The progress nStein has seen during its first quarter of the 2001 fiscal year is highly encouraging. It most certainly constitutes a major step in the Company's development. nStein has in fact made the transition from a company mainly focused on research and development to being a full-fledged commercial enterprise.

During the first three months of 2001, we concluded our first sale of the nMediaServer user license to CEDROM-SNi, Canada's leading news aggregator on the Internet, after a two-month pilot project, which allowed us to make adjustments to our product. Since then, we have entered into discussions with various American companies and are confident that we will see new nMediaServer sales agreements soon.

The agreement signed with CEDROM-SNi also saw nStein realize its first operating revenues during the first quarter of 2001. This is a symbolically important step in a company's growth, particularly in the high-technology sector, where months of research and development are often required before reaching the marketing phase. In recording its initial revenues and reducing its research and development expenses, nStein was able to decrease its net loss during the first three months of 2001 by close to 40% over the same period in 2000.

In addition to the nMediaServer, we are planning to put another new and innovative product, the nPortalServer, on the market by the end of the 2001 fiscal year. The nPortalServer is targeted to enterprise portals. The launch of this highly promising product, together with our ongoing marketing efforts, should allow nStein to see its revenues steadily increase over the coming months and thus reinforce its financial position.

On April 24, I also announced that I would leave my position as President and Chief Executive Officer of GESPRO Technologies Inc. to focus fully on the development and growth of nStein. I am very much looking forward to the challenges ahead.

nStein's 2001 fiscal period is off to a very strong start. We are confident that we will continue to see considerable progress through the remainder of the year.

Mario Girard
President and Chief Executive Officer

This quarterly report contains forward-looking statements which are subject to a number of risks, uncertainties and assumptions. Actual results and events may vary significantly.

nStein TECHNOLOGIES INC.

Interim Consolidated Statements of Earnings

	Three months ended March 31, 2000 (unaudited) \$	2001 (unaudited) \$
Revenues	-	201,667
Operating, selling and administrative	229,111	1,141,031
Net research and development	2,603,830	534,525
Depreciation of capital assets	29,617	256,406
Net financial	23,538	36,902
	<u>2,886,096</u>	<u>1,968,864</u>
Loss for the period	<u>2,886,096</u>	<u>1,767,197</u>
Basic and fully diluted loss per share	0,04	0,02
Basic weighted average number of shares outstanding	68,845,511	84,267,165

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Quarter ending March 31, 2001

nStein TECHNOLOGIES INC.

Interim Consolidated Balance Sheets

	At December 31, 2000	At March 31, 2001 (unaudited)
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	6,631,765	5,543,771
Term deposits	800,000	1,025,443
Accounts receivable		
Trade	-	201,667
Commodity taxes recoverable and other	267,939	65,592
Tax credits recoverable	858,850	917,850
	<u>8,558,554</u>	<u>7,754,323</u>
Capital assets	2,357,728	2,154,264
	<u>10,916,282</u>	<u>9,908,587</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		
Corporate shareholders	141,220	61,225
Other suppliers	651,293	1,306,777
Current portion of long-term debt	1,330,237	1,533,509
	<u>2,122,750</u>	<u>2,901,511</u>
Long-term debt	1,995,341	1,976,082
	<u>4,118,091</u>	<u>4,877,593</u>
Shareholders' equity		
Share capital	12,817,069	12,817,069
Deficit	(6,018,878)	(7,786,075)
	<u>6,798,191</u>	<u>5,030,994</u>
	<u>10,916,282</u>	<u>9,908,587</u>

nStein TECHNOLOGIES INC.

Interim Consolidated Statements of Deficit

	Three months ended March 31, 2000	2001 (unaudited)
	\$	\$
Balance at the beginning of the period	-	(6,018,878)
Loss for the period	(2,886,096)	(1,767,197)
Balance at the end of the period	<u>(2,886,096)</u>	<u>(7,786,075)</u>

nStein TECHNOLOGIES INC.

Interim Consolidated Statements of Cash Flows

	Three months ended March 31, 2000 (unaudited)	2001 (unaudited)
	\$	\$
Cash flows from operating activities		
Loss for the period	(2,886,096)	(1,767,197)
Depreciation of capital assets not affecting cash and cash equivalents	29,617	256,406
	<u>(2,856,479)</u>	<u>(1,510,791)</u>
Changes in non-cash operating working capital items		
Accounts receivable		
Trade	-	(201,667)
Commodity taxes recoverable and other	57,515	202,347
Tax credits recoverable	-	(59,000)
Accounts payable and accrued liabilities	1,796,364	575,489
	<u>1,853,879</u>	<u>517,169</u>
Cash flows from financing activities		
Long-term debt contracted	-	485,690
Reimbursement of long-term debt	(137,500)	(301,677)
Variation in share capital, net of share issue expenses	2,951,859	-
	<u>2,814,359</u>	<u>184,013</u>
Cash flows from investment activities		
Term deposits	(500,000)	(225,443)
Purchase of capital assets	(1,180,635)	(52,942)
	<u>(1,680,635)</u>	<u>(278,385)</u>
Changes in cash and cash equivalents	131,124	(1,087,994)
Cash and cash equivalents at the beginning of the period	159,496	6,631,765
Cash and cash equivalents at the end of the period	<u>290,620</u>	<u>5,543,771</u>
Additional information		
Interest paid	-	85,437
Interest received	(4,342)	(65,030)