MAMMA COM INC
Form 20-F
April 03, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 20-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[**X**] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

0-17164
(Commission file number)

MAMMA.COM INC.
(Exact name of registrant as specified in its charter)

(FORMERLY INTASYS CORPORATION)

PROVINCE OF ONTARIO (CANADA)
(Jurisdiction of incorporation or organization)

388 St. Jacques Street West, 9th Floor
Montreal, Quebec
Canada, H2Y 1S1
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

None

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Common Shares, no par value
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or Common Shares, as of March 15, 2006:

14,340,864 Common Shares

Indicate by a check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes **X** **No**

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 **X** **Item 18**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

NOT APPLICABLE.

EXPLANATORY NOTES

On January 6, 2004, the Company changed its name from Intasys Corporation to Mamma.com Inc. At the same time, its subsidiary changed its name from Mamma.com Inc. to Mamma.com Enterprises Inc. Therefore, in order to avoid any confusion in this document, the Company will use the name Mamma.com Inc. in reference to the parent company and Mamma.com Enterprises Inc. for its subsidiary. On May 31, 2004, the wholly owned subsidiary, Mamma.com Enterprises Inc. was wound up into the Company.

In this Annual Report on Form 20-F, unless otherwise indicated or the context otherwise requires, all monetary amounts are expressed in United States dollars.

On July 11, 2001, Mamma.com Inc. (Mamma or the Company) filed articles of amendment consolidating its issued and outstanding Common Shares on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation Common Shares. In this Annual Report on Form 20-F, unless otherwise indicated or the context otherwise requires, all references to the Company s Common Shares, including those relating to prices of the Company s Common Shares, have been adjusted to reflect this consolidation.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

INFORMATION CONTAINED IN THIS ANNUAL REPORT ON FORM 20-F INCLUDES FORWARD-LOOKING STATEMENTS, WHICH CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS BELIEVES, EXPECTS, MAY, DESIRES, WILL, SHOULD, PROJECTS, ESTIMATES, CONTEMPLATES, ANTICIPATES, INTENDS, OR ANY NEGATIVE DOES NOT BELIEVE OR OTHER VARIATIONS THEREOF OR COMPARABLE TERMINOLOGY. NO ASSURANCE CAN BE GIVEN THAT POTENTIAL FUTURE RESULTS OR CIRCUMSTANCES DESCRIBED IN THE FORWARD-LOOKING STATEMENTS WILL BE ACHIEVED OR OCCUR. SUCH INFORMATION MAY ALSO INCLUDE CAUTIONARY STATEMENTS IDENTIFYING IMPORTANT FACTORS WITH RESPECT TO SUCH FORWARD-LOOKING STATEMENTS, INCLUDING CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO VARY MATERIALLY FROM THE PROJECTIONS AND OTHER EXPECTATIONS DESCRIBED IN SUCH FORWARD-LOOKING STATEMENTS. PROSPECTIVE INVESTORS, CUSTOMERS, VENDORS AND ALL OTHER PERSONS ARE CAUTIONED THAT FORWARD-LOOKING STATEMENTS ARE NOT ASSURANCES, FORECASTS OR GUARANTEES OF FUTURE PERFORMANCE DUE TO RELATED RISKS AND UNCERTAINTIES, AND THAT ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE PROJECTED. FACTORS WHICH COULD CAUSE RESULTS OR EVENTS TO DIFFER FROM CURRENT EXPECTATIONS INCLUDE, AMONG OTHER THINGS: THE SEVERITY AND DURATION OF THE ADJUSTMENTS IN OUR BUSINESS SEGMENTS; THE EFFECTIVENESS OF OUR RESTRUCTURING ACTIVITIES, INCLUDING THE VALIDITY OF THE ASSUMPTIONS UNDERLYING OUR RESTRUCTURING EFFORTS; FLUCTUATIONS IN OPERATING RESULTS; THE IMPACT OF GENERAL ECONOMIC, INDUSTRY AND MARKET CONDITIONS; THE ABILITY TO RECRUIT AND RETAIN QUALIFIED EMPLOYEES; FLUCTUATIONS IN CASH FLOW; INCREASED LEVELS OF OUTSTANDING DEBT; EXPECTATIONS REGARDING MARKET DEMAND FOR PARTICULAR PRODUCTS AND SERVICES AND THE DEPENDENCE ON NEW PRODUCT/SERVICE DEVELOPMENT; THE ABILITY TO MAKE ACQUISITIONS AND/OR INTEGRATE THE OPERATIONS AND TECHNOLOGIES OF ACQUIRED BUSINESSES IN AN EFFECTIVE MANNER; THE IMPACT OF RAPID TECHNOLOGICAL AND MARKET CHANGE; THE IMPACT OF PRICE AND PRODUCT COMPETITION; THE UNCERTAINTIES IN THE MARKET FOR INTERNET-BASED PRODUCTS AND SERVICES; STOCK MARKET VOLATILITY; THE TRADING VOLUME OF OUR STOCK; THE POSSIBILITY THAT OUR STOCK MAY NOT SATISFY OUR REQUIREMENTS FOR CONTINUED LISTING ON THE NASDAQ SMALLCAP MARKET INCLUDING WHETHER THE MINIMUM BID PRICE FOR THE STOCK FALLS BELOW $1; AND THE

ADVERSE RESOLUTION OF LITIGATION. DEVELOPMENTS IN THE SEC INQUIRY, PURPORTED CLASS ACTION LITIGATION OR RELATED EVENTS COULD HAVE A NEGATIVE IMPACT ON THE COMPANY, INCREASE COMPANY EXPENSES OR CAUSE EVENTS OR RESULTS TO DIFFER FROM CURRENT EXPECTATIONS. FOR ADDITIONAL INFORMATION WITH RESPECT TO THESE AND CERTAIN OTHER FACTORS THAT MAY AFFECT ACTUAL RESULTS, SEE THE REPORTS AND OTHER INFORMATION FILED OR FURNISHED BY THE COMPANY WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC) AND/OR THE ONTARIO SECURITIES COMMISSION (OSC) RESPECTIVELY ACCESSIBLE ON THE INTERNET AT WWW.SEC.GOV AND WWW.SEDAR.COM, OR THE COMPANY S WEBSITE AT WWW.MAMMAINC.COM. ALL INFORMATION CONTAINED IN THIS ANNUAL REPORT ON FORM 20-F IS QUALIFIED IN ITS ENTIRETY BY THE FOREGOING AND REFERENCE TO THE OTHER INFORMATION THE COMPANY FILES WITH THE OSC

AND SEC. UNLESS OTHERWISE REQUIRED BY APPLICABLE SECURITIES LAWS, THE COMPANY DISCLAIMS ANY INTENTION OR OBLIGATION TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

PERIOD-TO-PERIOD COMPARISONS

A VARIETY OF FACTORS MAY CAUSE PERIOD-TO-PERIOD FLUCTUATIONS IN THE COMPANY S OPERATING RESULTS, INCLUDING BUSINESS ACQUISITIONS, REVENUES AND EXPENSES RELATED TO THE INTRODUCTION OF NEW PRODUCTS AND SERVICES OR NEW VERSIONS OF EXISTING PRODUCTS, NEW OR STRONGER COMPETITORS IN THE MARKETPLACE AS WELL AS CURRENCY FLUCTUATIONS, ECONOMIC RECESSIONS AND RECOVERIES. HISTORICAL OPERATING RESULTS ARE NOT INDICATIVE OF FUTURE RESULTS AND PERFORMANCE.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable

ITEM 3. KEY INFORMATION

SELECTED FINANCIAL DATA

The following consolidated statements of operations data for the years ended December 31, 2005, 2004 and 2003, and consolidated balance sheets data as at December 31, 2005 and 2004 is derived from the audited consolidated financial statements included in item 17, all other financial information below is unaudited and derived from sources not included in item 17.

CANADIAN GAAP
YEAR ENDED DECEMBER 31st

Consolidated Statements of Operations Data	**2005**	**2004**	**2003**	**2002**	**2001**
	$	**$**	**$**	**$**	**$**
Revenue	9,464,560	14,636,318	8,938,863	4,222,352	4,195,342
Earnings (loss) from continuing operations	(3,342,983)	370,753	88,990	(782,878)	(14,874,318)
Results of discontinued operations	(2,315,335)	733,654	(300,053)	465,884	267,635
Net earnings (loss) for the year	(5,658,318)	1,104,407	(211,063)	(316,994)	(14,606,683)
Basic and diluted earnings (loss) per share from continuing operations	(0.27)	0.03	0.01	(0.18)	(4.63)
Basic and diluted earnings (loss)					

per share from discontinued operations	(0.19)	0.07	(0.04)	0.11	0.08
Basic and diluted net earnings (loss) per share	(0.46)	0.10	(0.03)	(0.07)	(4.55)
Weighted average number of shares basic	12,168,117	10,758,604	6,207,360	4,356,751	3,206,996
Weighted average number of shares diluted	12,168,117	11,209,906	8,041,236	4,356,751	3,206,996

Consolidated Balance Sheets Data	**2005**	**2004**	**2003**	**2002**	**2001**
	$	**$**	**$**	**$**	**$**
Total assets	38,327,198	35,166,098	11,736,414	9,971,214	7,139,984
Total liabilities	5,810,217	3,130,526	3,716,276	3,270,019	2,704,141
Net Assets	32,516,981	32,035,572	8,020,138	6,701,195	4,435,843
Working capital	8,944,985	27,528,003	4,351,746	3,357,422	2,202,718
Capital stock	95,298,234	90,496,088	70,522,179	69,873,994	68,077,781
Additional paid-in capital	5,985,077	5,255,249	1,166,814	750,111	339,550
Deferred stock-based compensation	(735,175)	(1,333,443)	(262,806)	(10,667)	(418,727)
Cumulative translation adjustment	370,369	360,884	441,564	(275,693)	(243,205)
Accumulated deficit	(68,401,524)	(62,743,206)	(63,847,613)	(63,636,550)	(63,319,556)
Shareholders equity	32,516,981	32,035,572	8,020,138	6,701,195	4,435,843
Other					
Cash Dividends	None	None	None	None	None

U.S. GAAP
YEAR ENDED DECEMBER 31st

Consolidated Statements of Operations Data	**2005**	**2004**	**2003**	**2002**	**2001**
	$	**$**	**$**	**$**	**$**
Revenue	9,464,560	14,363,318	8,938,863	4,222,352	4,195,342
Earnings (loss) from continuing operations	(3,342,983)	370,753	88,990	(1,720,774)	(16,811,300)
Results of discontinued operations	(2,315,335)	733,654	(300,053)	465,884	267,635
Net earnings (loss) for the year	(5,658,318)	1,104,407	(211,063)	(1,254,890)	(16,543,665)
Basic and diluted earnings (loss) per share from continuing operations	(0.27)	0.03	0.01	(0.40)	(5.24)
Basic and diluted earnings (loss) per share from discontinued operations	(0.19)	0.07	(0.04)	0.11	0.08

Basic and diluted net earnings (loss) per share	(0.46)	0.10	(0.03)	(0.29)	(5.16)
Weighted average number of shares basic	12,168,117	10,758,604	6,207,360	4,356,751	3,206,996
Weighted average number of shares diluted	12,168,117	11,209,906	8,041,236	4,356,751	3,206,996

Consolidated Balance Sheets Data	**2005 $**	**2004 $**	**2003 $**	**2002 $**	**2001 $**
Total assets	38,327,198	35,166,098	11,736,414	9,971,214	7,139,984
Total liabilities	5,810,217	3,130,526	3,716,276	3,270,019	2,704,141
Net assets	32,516,981	32,035,572	8,020,138	6,701,195	4,435,843
Working capital	8,944,985	27,528,003	4,351,746	3,357,422	2,202,718
Capital stock	112,067,804	107,265,658	87,291,749	86,643,564	84,847,351
Additional paid-in capital	7,022,767	6,292,939	2,204,504	1,787,801	1,469,240
Deferred stock-based compensation	(735,175)	(1,333,443)	(262,806)	(10,667)	(418,727)
Accumulated other comprehensive gain (loss)	370,369	360,884	441,564	(275,693)	(1,273,101)
Accumulated deficit	(86,208,784)	(80,550,466)	(81,654,873)	(81,443,810)	(80,188,920)
Shareholders equity	32,516,981	32,035,572	8,020,138	6,701,195	4,435,843
Other					
Cash dividends	None	None	None	None	None

CAPITALIZATION AND INDEBTEDNESS

The following tables set forth the consolidated cash and consolidated capitalization of the Company as at December 31, 2005 prepared in accordance with Canadian GAAP and United States GAAP, respectively.

	As at December 31, 2005
(Prepared in accordance with Canadian GAAP)	**$**
Cash and cash equivalents	4,501,201
Temporary investments	4,013,312
Indebtness	
current liabilities	3,138,181
Future income taxes	2,672,036
Shareholders Equity	
Capital stock	95,298,234
Additional paid-in capital	5,985,077
Deferred stock-based compensation	(735,175)
Cumulative translation adjustment	370,369
Accumulated deficit	(68,401,524)
Total shareholders equity	32,516,981
Total capitalization	38,327,198

	As at December 31, 2005
(Prepared in accordance with US GAAP)	**$**

Cash and cash equivalents	4,501,201
Temporary investments	4,013,312
Indebtness	
current liabilities	3,138,181
Future income taxes	2,672,036
Shareholders Equity	
Capital stock	112,067,804
Additional paid-in capital	7,022,767
Deferred stock-based compensation	(735,175)
Cumulative translation adjustment	370,369
Accumulated deficit	(86,208,784)
Total shareholders equity	32,516,981
Total capitalization	38,327,198

Reasons for the Offer and Use of Proceeds

Not Applicable.

RISK FACTORS

You should consider carefully the following risk factors inherent in and affecting the Company s business, as well as all other information set forth in this Annual Report on Form 20-F and in the reports and other information that the Company files or furnishes with the SEC and/or OSC.

Our future growth significantly depends to a high degree on our ability to integrate our recent acquisition of Copernic, and any failure or delays in that integration would adversely affect our business and results of operations.

On December 22, 2005, we completed our acquisition of Copernic which should be accretive to earnings in 2006 and should position the Company as a leader in search technologies and applications and as a multi-channel on-line marketing services provider. We have high expectations for the Copernic Desktop Search® (CDS) award-winning product. This world-class software has already seen a healthy adoption rate in blue chip customer agreements and we expect that other major portals will also want to adopt CDS in order to protect against user attrition and generate more cost per click revenues from their search partners. Any failure or delay in successfully integrating Copernic into the Company s operations could adversely affect our business and results of operations.

Our revenues depend to a high degree on our relationship with two customers, the loss of which would adversely affect our business and results of operations.

For the year ended December 31, 2005, approximately 14% and 11% respectively of our revenues were derived from agreements with our two largest customers. Revenues from these customers represented 2% and 11% of our revenues in 2004 and 0% and 8% of our revenues in 2003. Although we monitor our accounts receivable for credit risk deterioration and these customers have been paying their payables to Mamma.com in accordance with the terms of their agreements with the Company, there can be no assurance that they will continue to do so or that they will continue to do so at the volume of business they have done historically. Our loss of these customers business would adversely affect our business and results of operations.

Our operating results may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectations.

Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual expenses as a percentage of our revenues may be significantly different from our historical or projected rates. Our operating results in future quarters may fall below expectations. Any of these events could cause our stock price to fall. Each of the risk factors listed in this Risk Factors section, and the following factors, may affect our operating results:

- Our ability to continue to attract users to our web sites.
- Our ability to monetize (or generate revenue from) traffic on our web sites and our network of advertisers web sites.
- Our ability to attract advertisers.

- The amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our businesses, operations and infrastructure.
- Our focus on long term goals over short term results.
- The results of any investments in risky projects.
- Payments that may be made in connection with the resolution of litigation matters.
- General economic conditions and those economic conditions specific to the Internet and Internet advertising.
- Our ability to keep our web sites operational at a reasonable cost and without service interruptions.
- Geopolitical events such as war, threat of war or terrorist actions.

Because our business is changing and evolving, our historical operating results may not be useful to you in predicting our future operating results. In addition, advertising spending has historically been cyclical in nature, reflecting overall economic conditions as well as budgeting and buying patterns. Also, user traffic tends to be seasonal.

We are the subject of an SEC investigation which may depress the market price for our Common Shares, reduce the liquidity of the Common Shares trading market and negatively affect our results of operations.

We are the subject of an SEC investigation. The scope, focus and subject matter of the SEC investigation may change from time to time. Adverse developments in connection with the investigation or our internal fact finding could have a negative impact on our Company and on how it is perceived by investors and potential investors and negatively impact our results of operations. In addition, the management effort and attention required to respond to the investigation and any such developments could have a negative impact on our business operations. An adverse determination by the SEC in its investigation could result in negative consequences for the Company, including initiation of enforcement proceedings, fines, penalties and possibly other sanctions that could harm the Company s business, reduce the market value of its Common Shares and negatively affect its results of operations.

Expenses relating to the SEC investigation could negatively affect our results of operations.

While we are not able to estimate, at this time, the amount of the additional expenses that we will incur in future connection with the investigation, we expect that it could negatively affect our results of operations.

Adverse results in purported securities class action lawsuit could result in significant damages and adversely affect the Company s financial condition and results of operation.

On February 22, 2005, the first of several purported securities class action lawsuits was filed in the United States District Court, Southern District of New York against the Company, and certain of the Company s current officers and directors. The plaintiffs allege, among other things, violations of the Securities Exchange Act of 1934 for purportedly failing to disclose and misrepresenting certain allegedly material facts relative to the market for and trading in the Company s stock, and seek unspecified damages. The purported class actions appear to be based on unsubstantiated rumours, purported statements from unidentified individuals and newspaper reports. All of these law suits have been consolidated and the lead plaintiff has filed an amended complaint in the case. On March 28, 2006, the court in the consolidated case denied a motion the Company filed for dismissal of the consolidated complaint. The Company denies the allegations against it, believes that the purported claims are without merit, and intends to continue to defend itself vigorously. Nevertheless, a finding of liability of the Company in any of these class action lawsuits could result in significant damages and materially adversely affect the Company s financial condition and results of operations.

We rely on our co-branded web site partners for a significant portion of our net revenues, and otherwise benefit from our association with them. The loss of these co-branded web site partners could prevent us from receiving the benefits we receive from our association with them, which could adversely affect our business.

We provide advertising, web search and other services to members of our co-branded partner web sites. We expect the percentage of our net revenues generated from this network to increase in the future. We consider this network to be critical in the future growth of our net revenues. However, some of the participants in this network may compete with us in one or more areas. Therefore, they may decide in the future to terminate their agreements with us. If our co-branded web site partners decide to use a competitor s or their own web search or advertising services, our net revenues would decline.

We face competition from other Internet companies, including web search providers, Internet advertising companies and destination web sites that may also bundle their services with Internet access.

In addition to Microsoft, Yahoo, Google and Ask.com, we face competition from other web search providers, including companies that are not yet known to us. We compete with Internet advertising companies, particularly in the areas of pay-for-performance and keyword-targeted Internet advertising. Also, we may compete with companies that sell products and services online because these companies, like us, are trying to attract users to their web sites to search for information about products and services.

We also compete with destination web sites that seek to increase their search-related traffic. These destination web sites may include those operated by Internet access providers, such as cable and DSL service providers. Because our users need to access our services through Internet access providers, they have direct relationships with these providers. If an access provider or a computer or computing device manufacturer offers online services that compete with ours, the user may find it more convenient to use the services of the access provider or manufacturer. In addition, the access provider or manufacturer may make it hard to access our services by not

listing them in the access provider s or manufacturer s own menu of offerings. Also, because the access provider gathers information from the user in connection with the establishment of a billing relationship, the access provider may be more effective than we are in tailoring services and advertisements to the specific tastes of the user.

There has been a trend toward industry consolidation among our competitors, and so smaller competitors today may become larger competitors in the future. If our competitors are more successful than we are at generating traffic and advertising, our revenues may decline.

We face competition from traditional media companies, and we may not be included in the advertising budgets of large advertisers, which could harm our operating results.

In addition to Internet companies, we face competition from companies that offer traditional media advertising opportunities. Most large advertisers have set advertising budgets, a very small portion of which is allocated to Internet advertising. We expect that large advertisers will continue to focus most of their advertising efforts on traditional media. If we fail to convince these companies to spend a portion of their advertising budgets with us, or if our existing advertisers reduce the amount they spend on our programs, our operating results would be harmed.

Our revenues declined in 2005 and we anticipate downward pressure on our operating margin in the future.

Our revenues declined in 2005 due to increased demand for better converting traffic on loss of several of our Ad network sales staff who formed a competing business. We believe our operating margin may decline as a result of increasing competition and increased expenditures for all aspects of our business as a percentage of our revenues, including product development and sales and marketing expenses. We also expect that our operating margin may decline as a result of increases in the proportion of our revenues generated from our co-branded partner web sites. The margin on revenues we generate from our co-branded partner web sites is generally significantly less than the margin on revenues we generate from advertising on our web sites. Additionally, the margin we earn on revenues generated from our co-branded partner web sites could decrease in the future if our co-branded partners require a greater portion of the advertising fees.

If we do not continue to innovate and provide products and services that are useful to users, we may not remain competitive, and our revenues and operating results could suffer.

Our success depends on providing products and services that people use for a high quality Internet experience. Our competitors are constantly developing innovations in web search, online advertising and providing information to people. As a result, we must continue to invest significant resources in research and development in order to enhance our web search technology and our existing products and services and introduce new high-quality products and services that people will use. If we are unable to predict user preferences or industry changes, or if we are unable to modify our products and services on a timely basis, we may lose users, advertisers and co-branded web site partners. Our operating results would also suffer if our innovations were not responsive to the needs of our users, advertisers and co-branded web site partners are not appropriately timed with market opportunity, effectively brought to market or well received in the market place. As search technology continues to develop, our competitors may be able to offer search results that are, or that are perceived to be, substantially similar or better than those

generated by our search services. This may force us to compete on bases in addition to quality of search results and to expend significant resources in order to remain competitive.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to expand our base of users and advertisers will be impaired and our business and operating results will be harmed.

We believe that the brand identity that we have developed has significantly contributed to the success of our business. We also believe that maintaining and enhancing the Company s brands is critical to expanding our base of users and advertisers. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. If we fail to promote and maintain the Mamma and Copernic® brands, or if we incur excessive expenses in this effort, our business, operating results and financial condition will be materially and adversely affected. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Maintaining and enhancing our brand will depend largely on our ability to continue to provide high quality products and services, which we may not do successfully.

New technologies could block our ads, which would harm our business.

Technologies may be developed that can block the display of our ads. Most of our revenues are derived from fees paid to us by advertisers in connection with the display of ads on web pages. As a result, ad-blocking technology could, in the future, adversely affect our operating results.

We generate all of our revenue from advertising, and the reduction of spending by or loss of advertisers could seriously harm our business.

We generated all of our revenues in 2005 from our advertisers. Our advertisers can generally terminate their contracts with us at any time. Advertisers will not continue to do business with us if their investment in advertising with us does not generate sales leads, and ultimately customers, or if we do not deliver their advertisements in an appropriate and effective manner. If we are unable to remain competitive and provide value to our advertisers, they may stop placing ads with us, which could negatively affect our net revenues and business. Mamma has on-going efforts to maintain a high quality network of publishers in order to offer advertisers high quality users that will provide for a satisfactory ROI. We therefore, from time to time cease sending advertisements to what we qualify a low quality publishers. This can reduce our revenues in the short term in order to create adverstiser retention in the long term.

Our operating results may be subject to fluctuations.

Our operating results may fluctuate as a result of many factors related to our business, including the competitive conditions in the industry, loss of significant customers, delays in the development of new services and usage of the internet, as described in more detail below, and general factors such as size and timing of orders and general economic conditions.

We face significant competition from Microsoft, Yahoo, Google and Ask.com.

We face formidable competition in every aspect of our business, and particularly from other companies that seek to connect people with information on the web and provide them with relevant advertising. Currently, we consider our primary competitors to be Microsoft, Yahoo, Google and Ask.com. Microsoft has announced plans to develop a new web search technology

that may make web search a more integrated part of the Windows operating system. We expect that Microsoft will increasingly use its financial and engineering resources to compete with us. Yahoo has become an increasingly significant competitor, having acquired Overture Services, which offers Internet advertising solutions that compete with our advertising programs.

Microsoft, Yahoo, Google and Ask.com have more employees and cash resources than we do. These companies also have longer operating histories and more established relationships with customers. They can use their experience and resources against us in a variety of competitive ways, including by making acquisitions, investing more aggressively in research and development and competing more aggressively for advertisers and web sites. Microsoft and Yahoo also may have a greater ability to attract and retain users than we do because they operate Internet portals with a broad range of products and services. If Microsoft, Yahoo, Google or Ask.com are successful in providing similar or better web search results compared to ours or leverage their platforms to make their web search services easier to access than ours, we could experience a significant decline in user traffic. Any such decline in traffic could negatively affect our net revenues.

Volatility of stock price and trading volume could adversely affect the market price and liquidity of the market for our Common Shares.

Our Common Shares are subject to significant price and volume fluctuations, some of which result from various factors including (a) changes in our business, operations, and future prospects, (b) general market and economic conditions, and (c) other factors affecting the perceived value of our Common Shares. Significant price and volume fluctuations have particularly impacted the market prices of equity securities of many technology companies including without limitation those providing communications software or Internet-related products and services. Some of these fluctuations appear to be unrelated or disproportionate to the operating performance of such companies. The market price and trading

volume of our Common Shares have been, and may likely continue to be, volatile, experiencing wide fluctuations. During the twelve-month period ended December 31, 2005, the closing per share price of our Common Shares has varied from $2.12 to $6.28. During that same period, the daily trading volume of our Common Shares has varied between 22,500 and 12,871,300 with an average daily trading of 325,730 Common Shares. Future market conditions may adversely affect the market price and trading volume of our Common Shares. Furthermore, should the market price of our Common Shares drop below the $1.00 per share minimum bid price requirement, our Common Shares risk being delisted from the NASDAQ SmallCap Market®, which would have an adverse effect on our business and liquidity of our Common Shares. Brokerage firms may not provide a market for low-priced stock, may not recommend low-priced stock to their clients and may charge a greater percentage commission on low-priced stock than that which they would charge on a transaction of a similar dollar amount but fewer shares. These circumstances may adversely impact trading in our Common Shares and may also adversely affect our ability to access capital.

Infringement and liability claims could damage our business.

Companies in the Internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. As we face increasing competition and become increasingly high profile, the possibility of intellectual property rights claims against us grows. Our technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle and could divert resources and attention. In addition,

many of our agreements with our advertisers require us to indemnify certain third-party intellectual property infringement claims, which would increase our costs as a result of defending such claims and may require that we pay damages if there were an adverse ruling in any such claims. An adverse determination also could prevent us from offering our services to others and may require that we procure substitute services for these members.

With respect to any intellectual property rights claim, we may have to pay damages or stop using technology or content found to be in violation of a third party s rights. We may have to seek a license for the technology or content, which may not be available on reasonable terms and may significantly increase our operating expenses. The technology or content also may not be available for license to us at all. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense, or stop using the content. If we cannot license or develop technology or content for the infringing aspects of our business, we may be forced to limit our product and service offerings and may be unable to compete effectively. Any of these results could harm our brand and operating results.

In addition, we may be liable to third-parties for content in the advertising we deliver if the artwork, text or other content involved violates copyright, trademark, or other intellectual property rights of third-parties or if the content is defamatory. Any claims or counterclaims could be time-consuming, could result in costly litigation and could divert management s attention.

Additionally, we may be subject to legal actions alleging patent infringement, unfair competition or similar claims. Others may apply for or be awarded patents or have other intellectual property rights covering aspects of our technology or business. For example we understand that Overture Services, Inc. (recently acquired by Yahoo) purports to be the owner of U.S. Patent No. 6,269,361, which was issued on July 31, 2001 and is entitled System and method for influencing a position on a search result list generated by a computer network search engine. Overture has aggressively pursued its alleged patent rights by filing lawsuits against other pay-per-click search engine companies such as MIVA (formerly known as FindWhat.com) and Google. MIVA and Google have asserted counter-claims against Overture including, but not limited to, invalidity, unenforceability and non-infringement.

Historical net results include net losses for the years ended December 31, 1999 to December 31, 2003 and for the year ended December 31, 2005. Working capital may be inadequate.

Prior to December 31, 2004 and for the year ended December 31, 2005, we have reported net losses and net losses per share during these years. We have been financing operations mainly from funds obtained in several private placements, and from exercised warrants and options. Management considers that cash and cash equivalents as at December 31, 2005 will be sufficient to meet normal operating requirements throughout 2006. In the long term, we may require additional liquidity to fund growth, which could include additional equity offerings or debt finance. No assurance can be given that we will be successful in getting required financing in the future.

Goodwill may be written-down in the future.

Goodwill is evaluated for impairment annually, or when events or changed circumstances indicate impairment may have occurred. Management monitors goodwill for impairment by considering estimates including discount rate, future growth rates, amounts and timing of estimated future cash flows, general economic, industry conditions and competition. Future

adverse changes in these factors could result in losses or inability to recover the carrying value of the goodwill consequently, our goodwill, which amounts to approximately $16.3M as at December 31, 2005, may be written-down in the future which could adversely effect our financial position.

Long-lived assets may be written-down in the future.

The Company assesses the carrying value of its long-lived assets, which include property, plant and equipment and intangible assets, for future recoverability when events or changed circumstances indicate that the carrying value may not be recoverable. Management monitors long-lived assets for impairment by considering estimates including discount rate, future growth rates, general economic, industry conditions and competition. Future adverse changes in these factors could result in losses or inability to recover the carrying value of the long-lived assets. Consequently, our long-lived assets, which amounts to approximately $9.2M as at December 31, 2005, may be written-down in the future.

Investment in LTRIM may be written-down in the future.

We have an investment in LTRIM. LTRIM is a corporation which has started its commercialization phase and there is no assurance that it will become profitable in the future or that we will be able to recover the cost of this investment. Consequently, our investment in LTRIM, which has been written-down in the past to $720,000, may be written-down again in the future.

Reduced Internet use may adversely affect our results.

Our business is based on Internet driven products and services including direct on-line Internet marketing. The emerging nature of the commercial uses of the Internet makes predictions concerning a significant portion of our future revenues difficult. As the industry is subject to rapid changes, we believe that period-to-period comparisons of its results of operations will not necessarily be meaningful and should not be relied upon as indicative of our future performance. It is also possible that in some fiscal quarters, our operating results will be below the expectations of securities analysts and investors. In such circumstances, the price of our Common Shares may decline. The success of a significant portion of our operations depends greatly on increased use of the Internet by businesses and individuals as well as increased use of the Internet for sales, advertising and marketing. It is not clear how effective Internet related advertising is or will be, or how successful Internet-based sales will be. Our results will suffer if commercial use of the Internet, including the areas of sales, advertising and marketing, fails to grow in the future.

Our long-term success may be materially adversely affected if the market for E-commerce does not grow or grows slower than expected.

Because many of our customers advertisements encourage online purchasing, our long-term success may depend in part on the growth and market acceptance of e-commerce. Our business will be adversely affected if the market for e-commerce does not continue to grow or grows slower than now expected. A number of factors outside of our control could hinder the future growth of e-commerce, including the following:

- the network infrastructure necessary for substantial growth in Internet usage may not develop adequately or our performance and reliability may decline;

- insufficient availability of telecommunication services or changes in telecommunication services could result in inconsistent quality of service or slower response times on the Internet;
- negative publicity and consumer concern surrounding the security of e-commerce could impede our growth; and
- financial instability of e-commerce customers.

Security breaches and privacy concerns may negatively impact our business.

Consumer concerns about the security of transmissions of confidential information over public telecommunications facilities is a significant barrier to increased electronic commerce and communications on the Internet that are necessary for growth of the Company s business. Many factors may cause compromises or breaches of the security systems we use or other Internet sites use to protect proprietary information, including advances in computer and software functionality or new discoveries in the fields of cryptography and processor design. A compromise of security on the Internet would have a negative effect on the use of the Internet for commerce and communications and negatively impact our business. Security breaches of their activities or the activities of their customers and sponsors involving the storage and transmission of

proprietary information, such as credit card numbers, may expose our operating business to a risk of loss or litigation and possible liability. We cannot assure that the measures in place are adequate to prevent security breaches.

If we fail to detect click fraud, we could lose the confidence of our advertisers, thereby causing our business to suffer.

We are exposed to the risk of fraudulent clicks on our ads from a variety of potential sources. We have regularly refunded revenues that our advertisers have paid to us that were later attributed to click fraud, and we expect to do so in the future. Click fraud occurs when a person clicks on an ad displayed on a web site for a reason other than to view the underlying content. If we are unable to stop this fraudulent activity, these refunds may increase. If we find new evidence of past fraudulent clicks we may issue refunds retroactively of amounts previously paid to our network of advertisers. This would negatively affect our profitability, and these types of fraudulent activities could hurt our brand. If fraudulent clicks are not detected, the affected advertisers may experience a reduced return on their investment in our advertising programs because the fraudulent clicks will not lead to potential revenue for the advertisers. This could lead the advertisers to become dissatisfied with our advertising programs, which could lead to a loss of advertisers and revenues and potentially litigation.

Index spammers could harm the integrity of our web search results, which could damage our reputation and cause our users to be dissatisfied with our products and services.

There is an ongoing and increasing effort by index spammers to develop ways to manipulate our web search results. For example, because our web search technology ranks a web page s relevance based in part on the importance of the web sites that link to it, people have attempted to link a group of web sites together to manipulate web search results. We take this problem very seriously because providing relevant information to users is critical to our success. If our efforts to combat these and other types of index spamming are unsuccessful, our reputation for

delivering relevant information could be diminished. This could result in a decline in user traffic, which would damage our business.

Our business is subject to a variety of U.S. and foreign laws that could subject us to claims or other remedies based on the nature and content of the information searched or displayed by our products and services, and could limit our ability to provide information regarding regulated industries and products.

The laws relating to the liability of providers of online services for activities of their users are currently unsettled both within the U.S. and abroad. Claims have been threatened and filed under both U.S. and foreign law for defamation, libel, invasion of privacy and other data protection claims, tort, unlawful activity, copyright or trademark infringement, or other theories based on the nature and content of the materials searched and the ads posted or the content generated by our users. Increased attention focused on these issues and legislative proposals could harm our reputation or otherwise affect the growth of our business.

The application to us of existing laws regulating or requiring licenses for certain businesses of our advertisers, including, for example, distribution of pharmaceuticals, adult content, financial services, alcohol or firearms, can be unclear. Existing or new legislation could expose us to substantial liability, restrict our ability to deliver services to our users, limit our ability to grow and cause us to incur significant expenses in order to comply with such laws and regulations.

Several other federal laws could have an impact on our business. Compliance with these laws and regulations is complex and may impose significant additional costs on us. For example, the Digital Millennium Copyright Act has provisions that limit, but do not eliminate, our liability for listing or linking to third-party web sites that include materials that infringe copyrights or other rights, so long as we comply with the statutory requirements of this act. The Children s Online Protection Act and the Children s Online Privacy Protection Act restrict the distribution of materials considered harmful to children and impose additional restrictions on the ability of online services to collect information from minors. In addition, the Protection of Children from Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. Any failure on our part to comply with these regulations may subject us to additional liabilities.

If the technology that we currently use to target the delivery of online advertisements and to prevent fraud on our networks is restricted or becomes subject to regulation, our expenses could increase and we could lose customers or advertising inventory.

Websites typically place small files of non-personalized (or anonymous) information, commonly known as cookies, on an Internet user s hard drive, generally without the user s knowledge or consent. Cookies generally collect information about users on a non-personalized basis to enable websites to provide users with a more customized experience. Cookie information is passed to the website through an Internet user s browser software. We currently use cookies to track an Internet user s movement through the advertiser s website and to monitor and prevent potentially fraudulent activity on our network. Most currently available Internet browsers allow Internet users to modify their browser settings to prevent cookies from being stored on their hard drive, and some users currently do so. Internet users can also delete cookies from their hard drives at any

time. Some Internet commentators and privacy advocates have suggested limiting or eliminating the use of cookies, and legislation (including, but not limited to, Spyware legislation such as U.S. House of Representatives Bill HR 29 the Spy Act) has been introduced in some jurisdictions to regulate the use of cookie technology. The effectiveness of our technology could

be limited by any reduction or limitation in the use of cookies. If the use or effectiveness of cookies were limited, we would have to switch to other technologies to gather demographic and behavioral information. While such technologies currently exist, they are substantially less effective than cookies. We would also have to develop or acquire other technology to prevent fraud. Replacement of cookies could require significant reengineering time and resources, might not be completed in time to avoid losing customers or advertising inventory, and might not be commercially feasible. Our use of cookie technology or any other technologies designed to collect Internet usage information may subject us to litigation or investigations in the future. Any litigation or government action against us could be costly and time-consuming, could require us to change our business practices and could divert management s attention.

Increased regulation of the Internet may adversely affect our business.

If the Internet becomes more strongly regulated, a significant portion of our operating business may be adversely affected. For example, there is increased pressure to adopt laws and regulations relating to Internet unsolicited advertisements, privacy, pricing, taxation and content. The enactment of any additional laws or regulations in Canada or the United States, or any state or province of either of them may impede the growth of the Internet and our Internet-related business, and could place additional financial burdens on us and our Internet-related business.

Changes in key personnel, labour availability and employee relations could disrupt our business.

Our success is dependent upon the experience and abilities of our senior management and our ability to attract, train, retain and motivate other high-quality personnel, in particular for our technical and sales teams. There is significant competition in our industries for qualified personnel. Labour market conditions generally and additional companies entering industries which require similar labour pools could significantly affect the availability and cost of qualified personnel required to meet our business objectives and plans. There can be no assurance that we will be able to retain our existing personnel or that we will be able to recruit new personnel to support our business objectives and plans. We believe our employee relations are good. Currently, none of our employees are unionized. There can be no assurance, however, that a collective bargaining unit will not be organized and certified in the future. If certified in the future, a work stoppage by a collective bargaining unit could be disruptive and have a material adverse effect on us until normal operations resume.

Possible future exercise of warrants and options could dilute existing and future shareholders.

As at December 31, 2005, we had 646,392 warrants and 661,083 stock options outstanding. As at December 31, 2005, the exercise prices of some of our outstanding options, but none of our outstanding warrants, issued are lower than the market price of our Common Shares. While the market value of the Common Shares is above the respective exercise prices of some options and all the warrants, their exercise could result in the issuance of up to an additional 1,307,475 Common Shares. To the extent such shares are issued, the percentage of our Common Shares held by our existing stockholders will be reduced. Under certain circumstances the conversion or exercise of any or all of the warrants or stock options might result in dilution of the net tangible book value of the shares held by existing Company stockholders. For the life of the warrants and stock options, the holders are given, at prices that may be less than fair market value, the opportunity to profit from a rise in the market price of the shares of Common Shares, if any. The holders of the warrants and stock options may be expected to exercise them at a time when the Company may be able to obtain needed capital on more favourable terms. In addition, we reserve the right to issue additional shares of Common Shares or securities convertible into or exercisable

for shares of Common Shares, at prices, or subject to conversion and exercise terms, resulting in reduction of the percentage of outstanding Common Shares held by existing stockholders and, under certain circumstances, a reduction in the net tangible book value of existing stockholders Common Shares.

Strategic acquisitions and market expansion present special risks.

A future decision to expand our business through acquisitions of other businesses and technologies presents special risks. Acquisitions entail a number of particular problems, including (i) difficulty integrating acquired technologies, operations, and personnel with the existing businesses, (ii) diversion of management s attention in connection with both negotiating the acquisitions and integrating the assets as well as the strain on managerial and operational resources as management tries to oversee larger operations, (iii) exposure to unforeseen liabilities relating to acquired assets, and (iv) potential issuance of debt instruments or securities in connection with an acquisition possessing rights that are superior to the rights of holders of the our currently outstanding securities, any one of which would reduce the benefits expected from such acquisition

and/or might negatively affect our results of operations. We may not be able to successfully address these problems. We also face competition from other acquirers, which may prevent us from realizing certain desirable strategic opportunities.

We do not plan to pay dividends on the Common Shares.

We have never paid dividends on any class of our shares. Our management anticipates that any earnings generated from our operations will be used to finance our working capital and potential market expansion opportunities and that for the foreseeable future cash dividends will not be paid to holders of the Common Shares.

Rapidly evolving marketplace and competition may adversely impact our business.

The markets for our products and services are characterized by (i) rapidly changing technology, (ii) evolving industry standards, (iii) frequent new product and service introductions, (iv) shifting distribution channels, and (v) changing customer demands. The success of the Company will depend on its ability to adapt to its rapidly evolving marketplaces. There can be no assurance that the introduction of new products and services by others will not render our products and services less competitive or obsolete. We expect to continue spending funds in an effort to enhance already technologically complex products and services and develop or acquire new products and services. Failure to develop and introduce new or enhanced products and services on a timely basis might have an adverse impact on our results of operations, financial condition and cash flows. Unexpected costs and delays are often associated with the process of designing, developing and marketing enhanced versions of existing products and services and new products and services. The market for our products and services is highly competitive, particularly the market for Internet products and services which lacks significant barriers to entry, enabling new businesses to enter this market relatively easily. Competition in our markets may intensify in the future. Numerous well-established companies and smaller entrepreneurial companies are focusing significant resources on developing and marketing products and services that will compete with the Company s products and services. Many of our current and potential competitors have greater financial, technical, operational and marketing resources. We may not be able to compete successfully against these competitors. Competitive pressures may also force prices for products and services down and such price reductions may reduce our revenues.

An inability to protect our intellectual property rights could damage our business.

We rely upon a combination of trade secret, copyright, trademark, patents and other laws to protect our intellectual property assets. We have entered into confidentiality agreements with our management and key employees with respect to such assets and limit access to, and distribution of, these and other proprietary information. However, the steps we take to protect our intellectual property assets may not be adequate to deter or prevent misappropriation. We may be unable to detect unauthorized uses of and take appropriate steps to enforce and protect our intellectual property rights. Although senior management believes that our services and products do not infringe on the intellectual property rights of others, we nevertheless are subject to the risk that such a claim may be asserted in the future. Any such claims could damage our business.

To the extent our net revenues are paid in foreign currencies, and currency exchange rates become unfavourable, we may lose some of the economic value of the net revenues in U.S. dollar terms.

Although we currently transact a majority of our business in U.S. dollars, as we expand our operations more of our customers may pay us in foreign currencies. Conducting business in currencies other than U.S. dollars subjects us to fluctuations in currency exchange rates. If the currency exchange rates were to change unfavourably, the value of net receivables we receive in foreign currencies and later convert to U.S. dollars after the unfavourable change would be diminished. This could have a negative impact on our reported operating results. We do not currently engage in hedging strategies, such as forward contracts, options and foreign exchange swaps related to transaction exposures to mitigate this risk. If we determine to initiate such hedging activities in the future, there is no assurance these activities will effectively mitigate or eliminate our exposure to foreign exchange fluctuations. Additionally, such hedging programs would expose us to risks that could adversely affect our operating results, because we have limited experience in implementing or operating hedging programs. Hedging programs are inherently risky and we could lose money as a result of poor trades.

Higher inflation could adversely affect our results of operations and financial condition.

We do not believe that the relatively moderate rates of inflation experienced in the United States and Canada in recent years have had a significant effect on our revenues or profitability. Although higher rates of inflation have been experienced in a number of foreign countries in which we might transact business, we do not believe that such rates have had a material effect on our results of operations, financial condition and cash flows. Nevertheless, in the future, high inflation could have a material, adverse effect on the Company s results of operations, financial condition and cash flows.

ITEM 4. INFORMATION ON THE COMPANY

GENERAL INFORMATION

The Company was incorporated on July 5, 1985, pursuant to the *Business Corporations Act* (Ontario), promulgated under the laws of the Province of Ontario, Canada. The Company s principal executive officers are located at 388 St. Jacques Street West, 8th Floor, Montreal, Quebec, Canada H2Y 1S1.

The Company maintains its registered office c/o Goodmans LLP, 250 Yonge Street, Suite 2400, Toronto, Ontario, Canada M5B 2M6.

RECENT FINANCINGS

On June 30, 2004, the Company sold under a securities purchase agreement an aggregate of 1,515,980 common shares and 606,392 warrants to certain accredited investors for an aggregate price of $16,599,981. Net proceeds from the offering amounted to $15,541,162, net of issue cost of $1,058,819, $996,000 of which was paid to Merriman Curhan Ford & Co. (MCF). For this specific transaction, MCF waived their entitlement to a warrant component of the financing completion fee. Each warrant entitles the accredited investors to purchase one additional common share at an exercise price equal to $15.82 per share. The warrants will be exercisable beginning six months after the closing date, and will have a term of five years from the closing date.

On December 12, 2002, the Company entered into subscription agreements to sell 1,893,939 Units, for a purchase price of $1.32 per Unit or total proceeds of $2.5 million. Each Unit consisted of one share of Common Shares plus one nontransferable A Warrant that entitled the holder to purchase one additional Common Share at a price of $1.40 on or before November 30, 2004. Only in the event and upon the exercise of each respective A Warrant, the holder thereof was entitled to be issued one B Warrant that would entitle such holder to purchase one additional Common Share at a price of $1.50 on or before November 30, 2006. A placement fee of 142,045 Units was paid to a placement agent for arranging this financing and the A and B warrants attached were exercised in September 2004 and November 2004 respectively. A sum of $5,904,354 accrued to the treasury of the Company and a further 4,071,968 common shares of the Company were issued.

RECENT AGREEMENTS

Merriman Curhan Ford & Co.

On March 16, 2004, the Company retained Merriman Curhan Ford & Co. (MCF) as a financial advisor and as an investment banking advisor. The Company then signed two separate agreements. In consideration for financial services, the Company had committed to pay MCF a monthly fee of $5,000 for a minimum obligation of $30,000 and 10,000 warrants per month with a minimum issuance of 60,000 warrants, each warrant gives the rights to purchase one common share of the Company. Warrants are issuable at an exercise price equal to the average closing bid for the last five trading days at the end of the month of issue, for the duration of the agreement upon the same terms and conditions. The warrants have a life of five years from the issuance date. For the investment banking services, the Company had committed to pay a cash financing completion fee equal to 6% of the total amount of capital received by the Company from the sale of its equity securities and warrants to purchase common shares of the Company in an amount equal to 6% of the number of common shares purchased by investors in capital raising transactions. The warrants are immediately exercisable at the higher of the price per share at which the investor can acquire common shares or the closing price of the Company s common shares at the date of the capital raising transaction. For mergers and acquisitions, the Company had committed to pay a success fee upon closing equal to the sum of 4% of up to $10,000,000 transaction value, 3% of $10,000,000 to $15,000,000 transaction value and 2% of greater than $15,000,000 transaction value, provided that MCF either introduces and/or performs specific services for the transaction. The minimum success fee for a transaction is $200,000. For a sale transaction, the Company had committed to pay a success fee with the same parameters of an acquisition except for the minimum fee which is $500,000.

For the period ended December 31, 2004, 40,000 warrants were issued to MCF at an average price of $12.31, the fair value of which was $260,301 estimated as of grant date using the Black-Sholes pricing model, and charged to expense with a corresponding credit to additional paid-in capital. The following weighted average assumptions were used:

Expected option life	3.5 years
Volatility	86%
Risk-free interest rate	3.99%
Dividend yield	nil

On July 16, 2004, the agreement for financial services, dated March 16, 2004 was amended. The Company committed to pay MCF a monthly fee of $5,000 for eight months from July 16, 2004. The agreement for investment banking services was amended on July 16, 2004, on September 8, 2004 and subsequently on October 12, 2005. The Company then is committed to pay a success fee upon closing equal to the sum of 3% of up to $20,000,000 transaction value, 1.5% of the excess of $20,000,000. If an acquisition transaction is less than 50% interest in the Company or the Target, a fee shall be payable in cash for 7% of the transaction value. If transaction is not consummated and the Company is entitled to receive break-up fee and other form of compensation, the Company then will pay to MCF 30% of Company s entire entitlement. In the event that the Board deems it necessary or appropriate for a fairness opinion to be rendered in connection with an acquisition transaction, MCF will receive a Fairness Opinion Fee of $200,000 for rendering its opinion, payable upon delivery of the Fairness Opinion and will be credited against the M&A Completion Fee due to MCF.

At the completion of Copernic acquisition, total fees paid to MCF was $618,468 including the fairness opinion fee of $200,000.

Maxim Group, LLC

On January 29, 2003, the Company retained Maxim Group LLC (Maxim), on a non-exclusive basis, as its investment banker, strategic advisor and financial advisor. In consideration for these services, the Company paid a retainer of $25,000 for the first month and a monthly fee of $5,000 for the duration of the agreement. Upon execution of the agreement, the Company issued a warrant to purchase 25,000 of the Company s Common Shares at an exercise price of $2.15 expiring on June 30, 2006. Under the agreement, on a monthly basis, commencing 30 days after execution of the agreement, the Company was obligated to issue additional warrants, each to purchase 8,000 Common Shares, at an exercise price equal to the market price, for the duration of the agreement upon the same terms and conditions. For any Transaction completed by the Company with Maxim Group LLC, the Company agreed to pay a success fee upon closing equal to the sum of 2 ½% of the aggregate transaction value, provided that Maxim either introduced and/or performed specific services for the Transaction. The minimum success fee for any transaction was $200,000. On May 5, 2003, an amendment was made to the agreement to increase the success fee for a specific Transaction from 2½% to 3½%.

The term of this agreement was indefinite. However, the Company or Maxim could terminate it upon 30 days written notice. If such a notice was sent by the Company, the monetary consideration was payable by the Company for the ensuing five months; however, the warrant consideration would cease after the 30 days written notice. If Maxim sent such a notice, both the

monetary and warrant consideration will cease immediately. The preceding statements notwithstanding, the agreement could also be terminated upon 30 days written notice by either party any time after the 6th month anniversary of the agreement. On October 30, 2003 the Company advised Maxim of termination of this agreement effective November 30, 2003. In 2003, the Company granted a total of 105,000 warrants at an average price of $2.50 to Maxim Group LLC for financial advisory fees.

Maxim Group was paid a $200,000 success fee related to the acquisition of Digital Arrow in June 2004.

As at March 30, 2005, Maxim Group, LLC had exercised all its warrants.

ACQUISITIONS, DIVESTITURES AND DISCONTINUED OPERATIONS

Acquisition of Copernic Technologies Inc.

On December 22, 2005, the Company acquired 100% of the issued and outstanding securities of Copernic including an amount to cover Copernic s outstanding stock appreciation right obligations.

Copernic develops cutting-edge search and information management solutions that enable home and business PC users to maximize their information assets and become more efficient and proactive in their daily activities. Copernic is dedicated to providing its customers with cost-effective Web and desktop search technology that enables better decision-making and increased productivity.

The consideration for the acquisition, including costs directly related to the acquisition, consisted of $15,851,922 in cash including $3,297,007 paid to settle Copernic s stock appreciation right and severance obligations net of cash acquired. The Company also issued 2,380,000 common shares as part of the consideration paid. The fair value of the Company shares issued to owners of Copernic has been determined to be $2.958 per share. This value has been determined using the average closing price of the Company s common stock for two days before and after August 17, 2005, the date the significant terms and conditions of the transaction were agreed to and publicly announced.

This acquisition has been accounted for using the purchase method and the results of operations have been included in the statement of operations from the date of acquisition. The purchase price allocation was finalized upon receipt of a valuation report.

Discontinued Digital Arrow LLC and High Performance Broadcasting Inc. (Digital Arrow) Operations

In September 2005, following the poor performance of Digital Arrow located in Florida, management decided to discontinue its subsidiary s operations. The Company has therefore not renewed the lease in Florida and recorded closing costs.

Consequently, the results of the operations of Digital Arrow were recorded as discontinued operations and the results of the Company for the years ended December 31, 2005 and 2004 were reclassified to account for the closure of the subsidiary s operations. The Company had acquired Digital Arrow on June 10, 2004, a privately held marketing company that was engaged in the distribution of on-line, opt-in e-mail marketing solutions via the Internet. In that acquisition, the

wholly owned subsidiary, Mamma.com USA, Inc., entered into a Securities Purchase Agreement with Digital Arrow and their equity holders, pursuant to which Mamma.com USA, Inc. acquired all equity interests in Digital Arrow. The consideration for the acquisition, including costs directly related to the acquisition, consisted of $1,264,210 in cash, net of cash acquired, and 90,000 of the Company s common shares. The fair value of the Company shares issued to owners of Digital Arrow has been determined to be $8.23 per share. This value has been determined using the average closing price of the Company s common stock for five days before and five days after March 3, 2004, the date the significant terms and conditions of the transaction were agreed to and publicly announced. The operations of the business have been included in these financial statements since June 1, 2004.

This acquisition has been accounted for using the purchase method. The fair value of the net assets acquired was $1,535,744 and goodwill of $556,196, for a total purchase price of $2,091,940. From this purchase price, $740,782 was paid by issuance of the Company s common shares, $86,948 was cash acquired at the transaction for a cash paid net of cash acquired of $1,264,210.

***Divestiture of Intasys Billing Technologies Subsidiaries* (IBT)**

On September 9, 2003, the Company announced that it had received and accepted, subject to completion of due diligence, an offer for the sale of its wireless billing subsidiary, IBT. The results of operations and cash flows for IBT have been reported separately as discontinued operations in the consolidated statements of operations and cash flows, and the remaining assets and liabilities of IBT have been segregated on the consolidated balance sheets. Comparative figures for the year ended December 31, 2004 and 2003 have been reclassified in order to comply with this presentation.

On February 12, 2004, the Company concluded the sale of IBT s assets which include contracts, customer lists, intellectual property, fixed assets and tangible and intangible assets relating to the business.

The proceeds of disposal was $1,699,185 with a gain on disposal of $1,588,923 which has been included in the Results of discontinued operations line in the consolidated statements of operations. The Company was entitled to additional consideration of up to a maximum of $250,000 should certain events occur or conditions be met. As of December 31, 2004, an amount of $100,000 of such contingent consideration had been earned by the Company and recorded in results of discontinued operations. The Company recorded, for 2004, net costs for an amount of $544,927 which represented the net of revenue of $621,296 and expenses of $1,166,223 including closing costs. An amount of $148,000 has been kept in escrow and has been released in 2005.

IBT developed, marketed, sold, installed and maintained billing and customer care and mediation software for customers operating in the telecommunications industry. Customers include cellular operators (analog, digital, GSM) and fixed line operators. Typical customers purchase network capacity from network operators for resale. IBT focused on achieving growth by penetrating projected wireless subscriber growth in emerging markets, particularly the rapidly developing small network operator market in Asia-Pacific.

INCUBATOR ACTIVITIES

Prior to February 2001, when the Company announced a moratorium on new incubator activities, the Company had engaged in incubator management services and held investments in companies

in the analog circuit, new media and telecommunications sectors. These companies included LTRIM Technologies Inc., (LTRIM), interWAVE communications International, Ltd.Tri-Link Technologies Inc., TEC Technology Evaluation.com Corporation, uPath.com Inc. and ESP Media Inc. The Company has written down completely or disposed of its interest in all of these companies except for LTRIM.

LTRIM is engaged in the design and development of high-performance analog integrated circuit products. LTRIM s proprietary core technology consists of a laser-based fine-tuning system designed to set the electrical characteristics of high-performance analog integrated circuits by precisely adjusting the resistance of silicon-embedded resistive elements that are fabricated through standard semiconductor manufacturing processes. It is expected that this technology will have advantages over conventional circuit fine-tuning techniques, in terms of manufacturing cost, integration, and time-to-market, when applied to the production of high-performance analog semiconductor products.

On May 4, 2000, the Company initiated a series of transactions pursuant to which it subscribed to a CA$850,000 secured debenture convertible into 12.75% of the equity of LTRIM. On February 23, 2001, the Company started acquiring preferred shares by step purchase and by May 2001, a total of 207,323 preferred shares were subscribed to and entirely paid. These shares were subsequently split 10 for 1, resulting in 2,073,230 shares.

On December 13, 2002, LTRIM closed the first round of an intended two-round financing transaction with new investors. As part of the transaction, the Company converted all preference shares and the secured debenture into 4,891,686 Class A Common Shares. Accrued interest on the debenture in the amount of CA$137,014 (US$80,038) was converted into 359,281 Class A preference shares. On February 11, 2004, LTRIM closed the second round of financing.

In 2004, based on its assessment of the fair value of the Company s investment in LTRIM, the Company concluded that its investment had suffered a loss in value other than a temporary decline and therefore recorded a write-down of $365,286.

As at December 31, 2005 and 2004, the investment in LTRIM was at $720,000 for approximately 8% of LTRIM.

BUSINESS OVERVIEW

Mamma.com Inc. is a provider of search technology for both the Web and desktop space, delivered through its properties, www.mamma.com and www.copernic.com, respectively. The Company, through its Mamma Media Solutions brand, is also a provider of online marketing solutions to advertisers, providing keyword and graphic ad placement on its publisher network.

Mamma.com The Mother of All Search Engines® is a metasearch engine for the Internet; it makes it easier and faster for people to find information by gathering results from the Internet.

Through its Copernic Desktop Search product, Copernic Technologies Inc. (Copernic) develops cutting edge search solutions bringing the power of a sophisticated, yet easy-to-use search engine right to the user s PC. It allows for instant searching of files, emails, and email attachments stored anywhere on a PC hard drive.

The Company provides several types of revenues: Search advertising, Graphic advertising and other which includes license, development and support revenues from customers mainly located in the United States, Canada and Europe. The Company also holds investments in companies which develop and market analog integrated circuit products, and in the new media and telecommunication sectors through LTRIM Technologies Inc. (LTRIM), and TECE, Inc.

Copernic s Role in our Strategy

The acquisition of Copernic fits well within our strategy. We believe it will increase our top line revenues and create more critical mass as we distribute the costs of running a public company.

We believe Copernic presents us with three principal synergies. By acquiring Copernic we:

1. Enter into the highly sought after desktop search marketplace through the Copernic Desktop Search (CDS) product, an industry award winning product.
2. Add to our existing search distribution network through the Copernic Agent user base.
3. Expand our total reach for advertisers and allow cross-marketing in both our Search and Ad networks.

Copernic will increase our product offering with the addition of its CDS (Copernic Desktop Search) software. We already operate our own search web site (www.mamma.com), as well as our own PPC (Pay-per-click) application and have developed a significant search distribution partner network. With the CDS application, we should be able to be present in more areas sought after by potential customers such as

advertisers, owners of other search properties and owners of large portals. The large portal owners are potential prospects for the CDS offering as they want to retain their own user base and the CDS product allows them to do this. We believe the business model for CDS would allow us to conclude significant contracts with a license component and also a revenue share component, which provides a recurring revenue stream opportunity.

We believe the CDS revenue stream has the potential to enhance our overall margins because historically the CDS business has provided higher margins than we have experienced. If obtained, we believe such higher margins could result from our recapture of the development costs in the initial license contracts utilizing the CDS product.

With Copernic s clients we will have an expanded client base including blue chip customers that should facilitate new market penetration. We also expect to be able to develop the CDS business throughout the North American, European and the Asian marketplaces.

We believe the addition of the Copernic Agent user base fits well into our existing search distribution partners network. Having better control of advertisers placement, we expect to be able to optimize to a greater extent on pay-per-click revenues within this service segment.

The addition of Copernic s millions of users to our search network will generate more revenues, will give us the opportunity to optimize revenues and add to our ability to develop cross marketing opportunities for our advertisers. Through Copernic s new technologies, these advertisers could reach users with targeted advertising either on our Search or Ad Network.

Also, Copernic s market-leading product development experience and its highly skilled R&D team should allow us to add technologies to our existing products, making them more attractive to our users and enhancing our ability to compete.

PRINCIPAL MARKETS

Although we operate in the global on-line market, and now engage in the development and sale of information management and search solution products, the majority of our users and customers are concentrated in the U.S., Europe and Canada. Our total revenues in 2005 can be divided into several categories: search advertising, graphic advertising and other which include license, development and support revenues. The following table gives a breakdown of the total revenues by category for the last five financial years. The operations of Copernic have been included since December 23, 2005.

YEAR	SEARCH ADVERTISING	GRAPHIC ADVERTISING	OTHER
	US$	US$	US$
2005	4,935,617	4,456,399	72,544
2004	9,659,024	4,965,198	12,096
2003	5,787,980	3,150,883	-
2002	2,733,953	1,488,399	-
2001	2,870,878	1,324,464	-

SEASONALITY

The Company is subject to seasonal fluctuations affecting its operations and results. Historically, the first and third quarters have shown significant decreases in operating revenues, which the Company believes are respectively attributable to decreased advertising and Internet use during the post-Christmas lull and the Summer holiday season.

Copernic s pay per click revenues from their agent user base has the same seasonality as Mamma s pay per click search revenues. The CDS revenue base is from licensing and revenue share. We expect that the license revenue would be evenly distributed throughout the year and the revenue share portion would again be under the same seasonality as Mamma s search revenues.

MARKETING CHANNELS AND SALES METHODS

The Company maintains its own sales and marketing staff and has its own experienced direct sales force to address the new and evolving requirements of its target markets. Although the Company itself does not expend significant resources on public relations, Mamma markets itself through public relations campaigns, on-line advertising, press releases, internally sponsored events and trade shows.

Mamma solicits graphic revenues by telephone or e-mail directly to the end client, through advertising agencies or network distribution business associates who mainly specialize in the online advertising market. Search listings are solicited either directly or through on-line marketing campaigns from the end client or through specialized search engines.

Copernic solicits through public relations campaigns, on-line advertising, press releases, industry and analyst reviews. Copernic has a sales force that actively prospects potential clients for its CDS technology which consists mainly of internet service providers, portals and content web sites.

DEPENDENCE ON INTELLECTUAL PROPERTY AND OTHER MATTERS MATERIAL TO PROFITABILITY

We rely upon a combination of trade secret, copyright, trademark, patent and other laws to protect our intellectual property assets. We have entered into confidentiality agreements with our management and key employees with respect to such assets and limit access to, and distribution of, these and other proprietary information. However, the steps we take to protect our intellectual property assets may not be adequate to deter or prevent misappropriation. We may be unable to detect unauthorized uses of and take appropriate steps to enforce and protect our intellectual property rights. Although senior management believes that our services and products do not infringe on the intellectual property rights of others, we nevertheless are subject to the risk that such a claim may be asserted in the future. Any such claims could damage our business.

GOVERNMENT REGULATION

The laws relating to the liability of providers of online services for activities of their users are currently unsettled both within the U.S. and abroad. Claims have been threatened and filed under both U.S. and foreign law for defamation, libel, invasion of privacy and other data protection claims, tort, unlawful activity, copyright or trademark infringement, or other theories based on the nature and content of the materials searched and the ads posted or the content generated by our users. Increased attention focused on these issues and legislative proposals could harm our reputation or otherwise affect the growth of our business.

The application to us of existing laws regulating or requiring licenses for certain businesses of our advertisers, including, for example, distribution of pharmaceuticals, adult content, financial services, alcohol or firearms, can be unclear. Existing or new legislation could expose us to substantial liability, restrict our ability to deliver services to our users, limit our ability to grow and cause us to incur significant expenses in order to comply with such laws and regulations.

Several other federal laws could have an impact on our business. Compliance with these laws and regulations is complex and may impose significant additional costs on us. For example, the Digital Millennium Copyright Act has provisions that limit, but do not eliminate, our liability for listing or linking to third-party web sites that include materials that infringe copyrights or other rights, so long as we comply with the statutory requirements of this act. The Children s Online Protection Act and the Children s Online Privacy Protection Act restrict the distribution of materials considered harmful to children and impose additional restrictions on the ability of online services to collect information from minors. In addition, the Protection of Children from Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. Any failure on our part to comply with these regulations may subject us to additional liabilities.

COMPETITION

The Company primarily competes in the area of on-line advertising and marketing. The market for these services are in a constant state of flux and competition is intense.

Mamma faces intense competition and the Company expects competition will continue to intensify. Mamma s market is subject to rapid changes in technology and marketing strategies and is significantly affected by new product introductions and other market activities of its existing and potential competitors. The Company believes the principal competitive factors in this market are name recognition, product performance and functionality, ease of use, size of the Web

index, user traffic, the speed with which search results return and the relevance of results, pricing and quality of customer support. Many of Mamma s current and potential competitors, including Google, Ask Jeeves, Miva, Looksmart, Findwhat, Microsoft, Yahoo!, Value Click, FastClick, Burst Media, Tribal Fusion, X1 and Exalead have significant operating histories, larger customer bases, greater brand name recognition, greater access to proprietary content and significantly greater financial, marketing and other resources which give them a competitive advantage.

The markets for our products and services are characterized by (i) rapidly changing technology, (ii) evolving industry standards, (iii) frequent new product and service introductions, (iv) shifting distribution channels, and (v) changing customer demands. The success of the Company will depend on its ability to adapt to its rapidly evolving marketplaces. There can be no assurance that the introduction of new products and services by others will not render our products and services less competitive or obsolete. We expect to continue spending funds in an effort to enhance already technologically complex products and services and develop or acquire new products and services. Failure to develop and introduce new or enhanced products and services on a timely basis might have an adverse impact on our results of operations, financial condition and cash flows. Unexpected costs and delays are often associated with the process of designing, developing and marketing enhanced versions of existing products and services and new products and services. The market for our products and services is highly competitive, particularly the market for Internet products and services which lacks significant barriers to entry, enabling new businesses to enter this market relatively easily. Competition in our markets may intensify in the future. Numerous well-established companies and smaller entrepreneurial companies are focusing significant resources on developing and marketing products and services that will compete with the Company s products and services. Many of our current and potential competitors have greater financial, technical, operational and marketing resources. We may not be able to compete successfully against these competitors. Competitive pressures may also force prices for products and services down and such price reductions may reduce our revenues.

ORGANIZATIONAL STRUCTURE

On May 31, 2004, the wholly owned subsidiary, Mamma.com Enterprises Inc. was wound up into the Company. The transaction has allowed the Company to use carry forward tax losses. As at March, 2006 the Company had these wholly-owned operating subsidiaries: Operating subsidiary Copernic Technologies, Inc. a corporation incorporated under the laws of Canada and Non-operating subsidiaries Mamma.com USA, Inc. who owned Digital Arrow, which discontinued operations in September 2005, Intasys Billing Technologies (Asia-Pacific) Pty Ltd, Intasys Billing Technologies (Canada) Inc., Intasys Billing Technologies Limited and Intasys Online Limited which are dormant corporations, that the Company will eventually disolve**.**

The Company leases three office locations. They are in Quebec City, Canada with 13,000 square feet, Montreal, Canada with 7,000 square feet, and Toronto, Canada with 150 square feet.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the consolidated financial condition and results of operations of Mamma.com Inc. (formerly Intasys Corporation) for the three years ended December 31, 2005, 2004 and 2003 should be read in conjunction with its consolidated financial statements and the related notes included with this form 20-F. All statements in the following

discussion, which are not reports of historical information or descriptions of current accounting policy, are forward-looking statements. Please consider our forward-looking statements in the light of the risks referred to in this Management s Discussion and Analysis of Financial Condition and Results of Operations cautionary note. The Company s consolidated financial statements are reported in US dollars and have been prepared in accordance with generally accepted accounting principles as applied in Canada (Canadian GAAP). As a registrant with the Securities and Exchange Commission in the United States, the Company is required to reconcile its financial results for significant measurement differences between Canadian GAAP and generally accepted accounting principles as applied in the United States (U.S. GAAP) as they specifically relate to the Company as described in note 26 to its consolidated financial statements. This Management s Discussion and Analysis of Financial Condition and Results of Operations is dated March 15, 2006.

BUSINESS OVERVIEW

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The Company provides several types of revenues: Search advertising, Graphic advertising and other which includes license, development and support revenues from customers mainly located in the United States, Canada and Europe. The Company also holds investments in companies which develop and market analog integrated circuit products, and in the new media and telecommunication sectors through LTRIM Technologies Inc. (LTRIM), Tri-Link Technologies Inc. and TECE, Inc.

The revenue model of the Company is based on:

Pay-Per-Click search listing placement advertisers bid or pay a fixed price for position on search listing advertisements on www.mamma.com and within the Mamma Media Solutions Publisher Network.

Graphic Ad Units priced on a CPM (Cost-Per-Click) basis and are distributed through the Mamma Media Solutions Publisher Network.

Mamma Media Solutions Publisher Network has over 990 active publishers (combined search and graphic ad publishers).

Copernic Agent and Copernic Desktop Search users generate Web searches and clicks from pay-per-click advertising listings.

Copernic Desktop Search licensing to ISPs, portals and e-commerce site generates license, maintenance and customization revenues.

Copernic Agent Personal / Pro, Copernic Summarizer and Copernic Tracker software are sold from our e-commerce store.

Search advertising

Approximately 52% of Mamma.com Inc. s revenues come from our search base business. The revenue model in this sector is simply a pay-per-click fee that is charged to the advertiser when a user clicks on a sponsored link. The business model consists of advertisers buying keywords. When these keywords are searched by a user, the advertiser s web site will be listed in a premium position in the search results and is identified as a sponsored result. The Company aggregates advertisers from other search-based businesses and from its own direct sales efforts (through direct sales and automated on-line marketing initiatives). The Company then distributes these search advertisements onto its search publisher network which consists of its own search property (Mamma.com The Mother of All Search Engines) and third party search properties. Advertising revenues generated through third party search properties have associated payout costs; these payout costs represent a percentage of the revenues generated from the distribution of search advertisements onto third party search property. Higher margins are obtained through our own property because less or no payout costs are associated.

Graphic advertising

Approximately 47% of our revenues come from our Ad Network business. The revenue model is CPM based (cost per one thousand impressions published). The business model is based on advertisers buying impressions for ad campaigns (these are creative based campaigns: different size banners, towers, pop-ups, rich media advertising) and can target them through our network of publishers. These campaigns can be targeted in several ways: geo-targeting (by region), by site category (ex: travel, entertainment, finance, etc.) and site specific. The publisher network consists of about 850 active small to medium sized web sites that subscribe to our service (through an online or direct representation contract) and give us access to their advertising inventory on their property. Mamma.com Inc. recruits publishers through a direct sales force and through on-line initiatives. Publishers receive payouts for campaigns published on their websites; these payouts represent a percentage of the revenues generated from these campaigns.

Other

Approximately 1% of our revenues came from license, development and support services.

Trends of the industry have been released in recent publications such as:

1. More than 83% of marketing executives plan to increase their investment in the Web this year (Source: WebTrends Inc. February 28, 2006)

2. Online advertising revenues to increase 27.4% in 2006 (Source: Merill Lynch, February 2006)

3. Online ad spending will reach $18.9 billion in 2010, double 2004 s expenditure. Specifically, display ads will increase by seven percent in five years to 7.2 billion by 2010, (Source: Jupiter Research February 26, 2006)

4. Paid Search is expected to generate more than 14 billion globally in 2006 - Safa Rashtchy from Piper Jaffrey (Source: ClickZ News January 4, 2006)

5. US Online Advertising Revenues projected increase from 2005 to 2006 is 33% and from 2006 to 2007 is 26% (Source: JMP Securities LLC, IAB, and McCann Erickson, December 2005)

RECENT EVENTS

Business acquisition

On December 22, 2005, the Company acquired 100% of the issued and outstanding securities of Copernic including an amount to cover Copernic s outstanding stock appreciation right obligations.

Copernic develops cutting-edge search and information management solutions that enable home and business PC users to maximize the use of their information assets and become more efficient and proactive in their daily activities. Copernic is dedicated to providing its customers with cost-effective web and desktop search technology that enables better decision-making and increased productivity.

The consideration for the acquisition, including costs directly related to the acquisition, consisted of $15,851,922 in cash including $3,297,007 paid to settle Copernic s stock appreciation right and severance obligations net of cash acquired. The Company also issued 2,380,000 common shares as part of the consideration paid. The fair value of the Company shares issued to owners of Copernic has been determined to be $2.958 per share. This value has been determined using the average closing price of the Company s common stock for two days before and after August 17, 2005, the date the significant terms and conditions of the transaction were agreed to and publicly announced. The operations of Copernic have been included in these financial statements since December 23, 2005.

Discontinued operation

In September 2005, following the poor performance of Digital Arrow LLC and High Performance Broadcasting, Inc. (Digital Arrow) located in Florida, management decided to discontinue its subsidiary s operations. The Company had therefore not renewed the lease in Florida and recorded closing costs.

Consequently, the results of the operations of Digital Arrow were recorded as discontinued operations and the results of the Company for the years ended December 31, 2005 and 2004 were reclassified to account for the closure of the subsidiary s operations. The Company had acquired Digital Arrow on June 10, 2004.

Granting and cancellation of stock options

On November 8, 2005, the Company granted to Officers and Members of the Board 430,000 stock options at an exercise price of $2.28 expiring in five years.

On February 16, 2005, 94,996 options at an exercise price of $6.28 expiring in five years were granted to the Company s officers and employees.

On February 2, 2005, the Officers and Members of the Board of Directors of Mamma.com to whom 295,000 stock options had been granted on November 2, 2004, waived and renounced any and all rights that each had or may have had on the options. Consequently, the options were cancelled as of that date. The stock-based compensation costs recorded as of December 31, 2004 pertaining to these options were reversed in the first quarter of 2005.

Purported Securities Class Action Lawsuit

On February 22, 2005, the first of several purported securities class action lawsuits was filed in the United States District Court, Southern District of New York against the Company, and certain of the Company s current officers and directors. The plaintiffs allege, among other things, violations of the Securities Exchange Act of 1934 for purportedly failing to disclose and misrepresenting certain allegedly material facts relative to the market for and trading in the Company s stock, and seek unspecified damages. The purported class actions appear to be based on

unsubstantiated rumours and newspaper reports. All of these lawsuits have been consolidated.

We have director and officer liability insurance that, subject to paying a retention of $250,000, we expect will cover most costs of defending the purported securities class action. The insurer of the coverage has paid most of the fees and expenses to date, except an amount of approximately $26,000 which has not been paid; the insurer is asserting that some fees and expenses of the class action defense counsel were outside the scope of coverage. We do not believe the insurer will successfully maintain this position with respect to this minimal unpaid amount of fees and expenses.

On March 28, 2006, the court in the consolidated case denied a motion the Company filed for dismissal of the consolidated complaint. The Company denies the allegations against it, believes that the purported claims are without merit, and intends to continue defend itself vigorously.

Special Investigation of Independent Committee

Following press reports in January 2005 and in response to recommendations made by the Company s former independent auditor, the Company s Board of Directors initiated an investigation under the supervision of a Special Independent Committee consisting of independent directors of the Audit Committee with independent legal counsel to investigate the allegations in the press reports. Those press reports claimed that Irving Kott and persons acting jointly or in concert with him may have had a controlling influence on the Company in the past as a result of undisclosed shareholdings. The Special Committee and its independent counsel have reviewed the relevant information available at the time of the investigation relating to the period from January 1, 1999 to December 31, 2004. While the Special Committee did note some evidence of contacts with and involvement by Mr. Kott and persons with whom he may have had an association, based on its review, the Special Committee has not found evidence establishing that Mr. Kott had a controlling influence on the Company during such period.

Normal Course Issuer Bid

On September 7, 2004, the Company filed a notice of intention with the Ontario Securities Commission to make a normal course issuer bid, to repurchase up to a maximum of 600,000 common shares, representing less than 5% of the issued and outstanding common shares of the Company. According to the Notice, the normal course issuer bid was scheduled to take place over a twelve-month period ending on the 7th day of September 2005. At the expiration period, the Company did not file a new notice.

During the year ended December 31, 2005, the Company redeemed 304,665 of its common shares at a weighted average price of $3.46, for a total amount of $1,053,155. The $1,195,147 excess of stated capital value over the redemption amount has been credited to additional paid-in capital.

Informal SEC Inquiry to Formal Investigation

On March 18, 2004, the United States Securities and Exchange Commission (SEC) notified the Company that the SEC had begun an informal inquiry relating to trading activity in the Company s securities. During March of 2004, trading in the Company s common stock had been intense and the market price of the common stock had risen sharply.

The SEC has since issued a formal order of investigation in this matter. As a part of its investigation, the Company believes the SEC may consider matters related to trading in the Company s securities and whether an individual and persons acting jointly or in concert with him may have had a significant influence on the Company in the past as a result of undisclosed shareholdings. (See *Special Investigation of Independent Committee* above.) The Company also believes that the Commission s staff may consider matters relating to the Company s financial reporting and internal controls. The scope, focus and subject matter of the SEC investigation may change from time to time and the Company may be unaware of matters under consideration by the SEC. The Company intends to continue cooperating with the SEC in its investigation.

Critical Accounting Policies and Estimates

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada. In doing so, management has to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, as well as related disclosure of contingent assets and liabilities. In many cases, management reasonably has used different accounting policies and estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations will be affected. Management bases its estimates on past experience and other assumptions that it believes are reasonable under the circumstances, and it evaluates these estimates on an ongoing basis. Management refers to accounting estimates of this type as critical accounting policies and estimates, which are discussed further below. Management has reviewed its critical accounting policies and estimates with its Board of Directors.

Use of estimates

Significant estimates in these financial statements include the allowance for doubtful accounts, recovery of future income taxes, goodwill and annual goodwill impairment test, useful lives and impairment of long-lived assets, stock-based compensation costs, valuation of investments, determination of the fair value of the intangible assets on recent acquisitions, determination of the fair value of the warrants issued on the private placement and the resulting impact on the allocation of the proceeds between the shares and warrants. Each of these critical accounting policies is described in more detail below.

Allowance for doubtful accounts

We make judgments as to our ability to collect outstanding receivables and provide allowances for the portion of receivables when collection becomes doubtful. Provisions are made based upon a specific review of all significant outstanding invoices. The allowance provided for doubtful accounts does not reflect the future ability to collect outstanding receivables, additional provisions for doubtful accounts may be needed and our future results of operations could be adversely impacted.

We also record a provision for revenue adjustments in the same period as the related revenues are recorded. These estimates are based on historical analysis of credit memo data and other factors. If the historical data we use to calculate these estimates does not properly reflect future uncollectible revenues, then a change in the allowances would be made in the period in which such a determination is made and revenues in that period could be impacted.

For this item, actual results could differ from those estimates.

Recovery of future income taxes

We use significant judgment in determining our consolidated recovery of future income taxes. Uncertainties may arise with respect to the tax treatment of certain transactions. Although we believe our estimates are reasonable, we cannot be certain that the final tax outcome of these matters will not be different than that which is reflected in our financial statements. Such differences could have a material effect on our future income taxes in the period in which such determination is made.

For this item, actual results could differ from those estimates.

Goodwill and annual goodwill impairment test

Goodwill is evaluated for impairment annually, or when events or changed circumstances indicate impairment may have occurred. In connection with the goodwill impairment test, if the carrying value of the Company s reporting unit to which goodwill relates exceeds its estimated fair value, the goodwill related to that reporting unit is tested for impairment. If the carrying value of such goodwill is determined to be in excess of its fair value, an impairment loss is recognized in the amount of the excess of the carrying value over the fair value. Management assesses goodwill for impairment using estimates including discount rate, future growth rates, amounts and timing of estimated future cash flows, general economic, industry conditions and competition. Future adverse changes in these factors could result in losses or inability to recover the carrying value of the goodwill, thereby possibly requiring an impairment charge in the future.

For this item, actual results could differ from those estimates.

Useful lives and impairment of long-lived assets

The Company assesses the carrying value of its long-lived assets which include property, plant and equipment and intangible assets, for future recoverability when events or changed circumstances indicate that the carrying value may not be recoverable. Useful lives of long-lived assets are regularly reviewed for their appropriateness. An impairment loss is recognized if the carrying value of a long-lived asset exceeds the sum of its estimated undiscounted future cash flows expected from its use. The amount of impairment loss, if any, is determined as the excess of the carrying value of the assets over their fair value. Management assesses long-lived assets for impairment using estimates including discount rate, future growth rates, general economic, industry conditions and competition. Future adverse changes in these factors could result in losses or inability to recover the carrying value of the long-lived assets, thereby possibly requiring an impairment charge in the future.

For this item, actual results could differ from those estimates.

Stock-based compensation costs

In determining the fair value of stock options and warrants issued to employees and service providers, using the Black-Scholes option pricing model, the Company must make estimates of the period in which the holders of the options and warrants will exercise the options and warrants and the volatility of the Company s stock over that same period. Different estimates would result in different amounts of compensation being recorded in the financial statements.

Valuation of investments

The Company holds interests in various companies. Management records an investment impairment charge when it believes an investment has experienced a decline in value that is judged to be other than temporary. Management monitors its investments for impairment by considering current factors including economic environment, market conditions and operational performance and other specific factors relating to the business underlying the investment, and records reductions in carrying values when necessary. The fair value for privately held securities is estimated using the best available information as of the valuation date, including the quoted market prices of comparable public companies, recent financing rounds of the investee and other investee specific information.

For this item, actual results could differ from those estimates.

Determination of the fair value of the intangible assets on Copernic acquisition

The acquisition of Copernic made on December 22, 2005 resulted in the recognition of intangible assets totalling $7,900,000 and goodwill of $15,408,721. The determination of the fair value of the acquired intangible assets and goodwill requires management to estimate the discount rate to be used in the calculations, the amounts and timing of estimated future net cash flows, royalty rate, tax rate, weighted average cost of capital, residual growth rate, general economic and industry conditions. If different estimates had been used, the purchase price allocation might have been materially different and could cause the amortization expense for the current and future years to be significantly different.

Determination of the fair value of the warrants issued on the private placement and the resulting impact on the allocation of the proceeds between the shares and warrants

The amounts allocated to the shares and warrants totalled $13,158,329 and $3,441,652, respectively, for the private placement closed as at June 30, 2004. These amounts have been allocated based upon the relative fair values of the shares and warrants at the date they were issued. The estimated fair value of the warrants has been determined using the Black-Scholes pricing model using Management s best estimates of the volatility and the expected life of the warrants.

REVENUE RECOGNITION

Search advertising, graphic advertising, sales of software and support revenues are recognized when services are rendered, provided there is persuasive evidence of an arrangement, the fee is fixed or determinable, collection is considered probable and fees are not subject to forfeiture, refund or other concessions.

With respect to search advertising and graphic advertising revenues, insertion orders or signed contracts are generally used as evidence of an arrangement.

Support revenue is recognized on a straight-line basis over the term of the agreements.

Estimates of collection likelihood is based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. If it is determined that collection of a fee is not probable, management defers the fee and recognizes revenues at the time collection becomes probable, which is generally upon receipt of cash.

RECENT ACCOUNTING CHANGES

a) For changes affecting 2003

Stock-based compensation and other stock-based payments

During the fourth quarter of 2003, the Company adopted, retroactive to January 1, 2003, the fair value method of accounting for stock options granted to employees. Under this method, the fair value of options granted to employees is charged to expense over the future vesting period. In accordance with the transitional provisions of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments , the Company has elected to apply this new method prospectively to options granted to employees on or after January 1, 2003. Consequently, prior period financial statements have not been restated; however, the Company continues

to provide pro forma disclosures as if the fair value method of accounting had been applied retroactively.

Impairment of long-lived assets

CICA Handbook section 3063, Impairment of Long-Lived Assets , provides guidance on the recognition, measurement and disclosure of the impairment of long-lived assets. It replaces the write-down provisions in Section 3061, Property, Plant and Equipment . The provisions of the Section require an impairment loss for a long-lived asset to be held and used to be recognized when its carrying amount exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by which its carrying

amount exceeds its fair value. The adoption of this section did not have a significant impact on the financial statements.

Disposal of long-lived assets and discontinued operations

CICA Handbook section 3475, Disposal of Long-Lived Assets and Discontinued Operations , provides guidance on recognizing, measuring, presenting and disclosing long-lived assets to be disposed of and replaces the disposal provisions in Section 3475, Discontinued Operations and Section 3061, Property, Plant and Equipment . The Section provides criteria for classifying assets as held for sale to be measured at the lower of carrying value and fair value less costs to sell, provides criteria for classifying a disposal as a discontinued operation and specifies presentation and disclosure for discontinued operations and other disposals of long-lived assets. The adoption of this section did not have a significant impact on the financial statements.

b) For changes affecting 2004

Asset retirement obligations

CICA Handbook section 3110, Asset Retirement Obligations , focuses on the recognition and measurement of liabilities for obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The adoption of this section did not have a significant impact on the financial statements.

c) For changes affecting 2005 and future years

Consolidation of variable interest entities

CICA Accounting Guideline 15, Consolidation of Variable Interest Entities , provides clarification on the consolidation of those entities defined as variable interest entities , when equity investors are not considered to have a controlling financial interest or they have not invested enough equity to allow the entity to finance its activities without additional subordinated financial support from other parties. Variable interest entities are commonly referred to as special purpose entities. The guideline comes into effect for interim periods beginning on or after November 1, 2004. The adoption of this section did not have a significant impact on the financial statements.

Financial instruments

On April 1, 2005, the CICA issued three new Handbook sections: Section 1530, Comprehensive Income , Section 3855, Financial Instruments Recognition and Measurement , and Section 3865, Hedges . These new sections apply to fiscal years beginning on or after October 1, 2006 with earlier adoption permitted as of the beginning of a fiscal year ending on or after December 31, 2004.

Section 3855, Financial Instruments Recognition and Measurement , requires all financial instruments to be classified as either Held to Maturity, Loans and Receivables, Held for Trading, or Available for Sale. The Held to Maturity classification is restricted to fixed maturity instruments that the Company intends and is able to hold to maturity. Loans and Receivables and Held to Maturity investments are accounted for at amortized cost. Securities that are acquired for selling in the near term are classified as Held for Trading are accounted for at fair value with

realized and unrealized gains and losses reported in net income. The remaining financial instruments are classified as Available for Sale and are measured at fair value with unrealized gains and losses, not affecting income, but reported in a new category in Shareholders equity called Other Comprehensive Income.

Section 3865, Hedges , which replaces Accounting Guideline 13, Hedging Relationships , requires that all derivatives, including hedges, be measured at fair value. Changes in the fair value of a derivative which hedges the Company s exposure that the fair value of an asset or liability will change due to a particular risk are recognized in net income together with those of the respective offsetting hedged item. However, changes

in the fair value of a derivative which hedges the Company s exposure to changing cash flows are accumulated in Other Comprehensive Income until the transaction being hedged affects net income.

Section 1530, Other Comprehensive Income , a new category in the Shareholders equity section, includes in addition to the items mentioned above, unrealized foreign currency translation gains and losses, net of hedging activities.

The Company will adopt these recommendations for its fiscal year 2007.

RESULTS OF OPERATIONS

Revenues

2005 as compared to 2004

Revenues for the year 2005 were $9,464,560, a decrease of 35% from revenues $14,636,318 for the year 2004.

Search advertising revenues decreased by 49% from $9,659,024 in 2004 to $4,935,617. This decrease was mainly explained by a significant reduction in business with a major customer, which impacted our search revenues unfavourably by more than $3.8 million and to industry pressure to deliver better conversion rates and to improve traffic quality by cutting non-converting clicks.

Graphic advertising revenues decreased by 10% from $4,965,198 to $4,456,399 due to the loss of a significant number of sales people from our Ad Network team during the last quarter of 2005.

2004 as compared to 2003

During the financial year ended December 31, 2004, the Company generated revenues of $14,636,318, an increase of 64% from revenues of $8,938,863 during the previous year.

Search revenues were favourably affected by the Company s positioning strategy and the industry s strong growth represented the most of our growth in 2004.

Graphic advertising revenues, increased to $4,965,198, a 58% growth as compared to $3,150,883 in 2003. The growth is primarily due to an increase in unit pricing, a better product mix and an increase in the number of significant clients.

Expenses

Cost of revenues

Cost of revenues represent partners payouts and bandwidth costs to deliver our services. For the year ended December 31, 2005, theses costs represented $4,204,030 or 44% over revenue compared to $6,539,213 or 45% over revenue in 2004 and $3,991,265 or 45% over revenue in 2003.

In 2005, the payouts stand at $3,924,065 or 41% over revenues compared to $6,324,612 or 43% in 2004 and $3,685,314 or 41% over revenue in 2003. In 2005, the decrease of costs as a percentage of revenues was mainly due to a higher proportion of revenues generated from our metasearch engine for which no payouts are incurred. The increase of 2% of partner payouts from 2003 to 2004 reflected the competitive landscape for which business partners require higher payouts in order to maintain their relationship by providing user traffic or content on the Company s online media properties.

The bandwidth costs represented $279,965, or 3% over revenues compared to $214,601, or 3% in 2004 and $305,951 or 3% in 2003. The variance as a percentage of revenues in 2005 is explained by an increase in the bandwidth used for our metasearch engine and delivery of our services. The decrease of 2% from 2003 to 2004 is mainly due to the volume discount renegotiation of ISP fees following the integration of our search and graphic ad services.

Marketing, sales and services

Marketing, sales and services consist primarily of salaries, commissions and related personnel expenses of our sales force, advertising and promotional expenses as well as the provision for doubtful account.

For the year ended December 31, 2005, marketing, sales and services expenses stood at $2,023,925, whereas for 2004 and 2003, these expenses stood at $2,188,488 and $1,600,643 respectively. The decrease of $164,563 in 2005 is mainly explained by a decrease in salaries due to the loss of several sales employees and a network manager and a decrease in marketing campaign costs.

The increase of $587,845 in 2004 as compared to 2003 was primarily related to higher sales commission due to the growth of revenues, an increase in on-line marketing campaigns focused on attracting traffic to our metasearch engine, as well as an increase in the charges paid for algorithmic content from other search engines; a direct impact of the increased traffic to the Mamma.com metasearch engine.

General and administrative

General and administrative expenses include the salaries and associated costs of employment of executive management and finance personnel, including stock-based compensation. These costs also include facility charges, investor relations, as well as legal, tax and accounting, consulting and professional service fees associated with operating our business and corporate compliance requirements.

General and administrative expenses increased to $5,692,092 as compared to $3,567,247 in the previous year and $2,255,099 in 2003.

In 2005, the increase of $2,124,845 is explained by the following items: increase of $1,914,000 in professional fees in relation to the securities class action lawsuits and SEC investigation, increase of $481,000 in directors and officers insurance, $119,000 for investor relations and public reporting and $118,000 in salaries due to higher headcount offset by $284,000 of non-cash expenses related to issued warrant to investment banker recorded in Q2 2004, a reduction $236,000 of stock-based compensation expense due primarily the reversal of expense for the cancelled stock option granted in 2004 and a reduction of $106,000 of professional fees.

In 2004, the increase of $1,312,148, as compared to 2003 is mainly due to the following items: professional fees of approximately $410,000 incurred for the SEC inquiry; $260,000 of non-cash expense related to issued warrants to the investment banker, an increase of approximately $245,000 in stock-based compensation costs mainly due to the issuance of new options; an increase in salaries and benefits of approximately $132,000 which mainly reflects the normal raise in salaries, increased incentive compensation since the Company attained required performance and new headcount in order to meet SOX 404 requirements; an increase of approximately $100,000 in the compensation for the board members, mainly due to the costs of fringe benefits on stock options exercised in 2004 and additional consulting fees paid to our Executive Chairman; an increase in annual audit fees and review of quarterly financial statements of approximately $210,000 offset by a decline in legal fees of $119,000 following the conclusion of two legal claims against the Company in 2002.

Product development and technical support

Product development and technical support costs include the salaries and associated costs of employment of our team and maintenance of our metasearch engine and other IT systems. These charges also include the costs of technical support and license maintenance. Research and development (R&D) tax credits and future benefit of non-refundable tax credits are also recorded against product development and technical support expenses.

Product development and technical support expenses totalled $1,286,345 in 2005, as compared to $891,541 in the previous year and $599,383 in 2003.

The increase of $394,804 is mainly explained by an increase of approximately $351,000 in salaries and related employment costs due to an increase in headcount; stock-based compensation costs following the grant of employee stock options in the first quarter of 2005 and a retention bonus.

The increase of $292,158 in 2004 as compared to 2003 primarily includes additional salary and benefits from the growth in headcount, increased benefits due to the exercise of stock options and consulting fees incurred to enhance our metasearch engine. For the year ended December 31, 2005, the Company recorded R&D tax credits and future benefit of non-refundable tax credits of $21,601 as compared to $86,521 and $128,157 in 2004 and 2003, respectively.

Amortization of property, plant and equipment

Amortization of property, plant and equipment stands at $106,788 for the year ended December 31, 2005 compared to $133,123 in 2004 and $140,090 in 2003. The slight decrease in 2004 reflects the normal decrease of the assets net book value. Acquisition of property, plant and

equipment, excluding those acquired through business acquisitions, total $85,687 in 2005, $70,284 in 2004 and $47,432 in 2003.

Amortization of intangible assets

Amortization of intangible assets increased to $242,031 in 2005 compared with $191,218 in 2004 and $178,509 in 2003. The increase of $50,813 in 2005 relates to the acquisition of the intangible assets of Copernic acquired on December 22, 2005. The intangible assets totalled $8,601,848 and they are being amortized on a straight-line basis over a period of 3 to 10 years.

Interest and other income

Interest and other income stand at $768,738 in 2005 compared to $233,506 in 2004 and $15,869 in 2003. The increase in 2005 compared to 2004, reflected the interest earned on cash and cash equivalents and temporary investments on a full year in 2005 compared to half a year in 2004 due to significant amounts of cash and cash equivalents following the private placement close on June 2004.

The increase from 2003 to 2004 reflects the interest earned on cash and cash equivalents following the issuance of capital stock. On June 30, 2004, the Company realized a private placement where the net proceeds totalled $15,541,162. The remaining issuance of capital stock relates to the exercise of employee stock options and warrants.

Loss on foreign exchange

Loss on foreign exchange totalled at $47,080 for the year ended December 31, 2005 compared to $68,275 in 2004 and $210,888 in 2003. The improvement in 2004 as compared to 2003 mainly reflected the change in functional currency, from the Canadian dollar to the U.S. dollar, for the Company s wholly owned subsidiary, Mamma.com Enterprises Inc.

Write-down of investment

In 2004, based on its assessment of the fair value of the Company s investment in LTRIM, the Company concluded that its investment had suffered a loss in value other than a temporary decline and therefore recorded a write-down of $365,286.

Income taxes (recovery)

The recovery for current and future income taxes is $26,010 in 2005 as compared to a provision of income taxes of $554,680 in 2004 and a recovery of income taxes of $77,636 in 2003.

In 2005, the recovery of income taxes is explained by the reassessment of previous years income tax returns for $12,046 and the reversal of future income taxes related to the acquisition of Copernic s intangible assets of $13,964.

In 2004, the provision for income taxes is due to the utilization of non-capital losses for which future income taxes have been previously recorded.

In 2003, the media solutions segment which represented a separate legal entity (Mamma.com Enterprises Inc.) recorded a net future recovery of income taxes of $77,636 which included a

standard tax provision on earnings of $460,456 (representing earnings for 2003 of $1,466,909 at a current taxable rate of 31.4%) and a tax recovery of $538,092 which represented the total outstanding amount of prior year losses that the media solutions segment expects to use in the future. In 2003, after two consecutive years of profitability for the segment and profitability expectations forecasted for 2004, management determined that it was more likely than not that the future tax assets would be realized.

Results of discontinued operations

In September 2005, following the poor performance of Digital Arrow located in Florida, management decided to discontinue its subsidiary s operations. The Company has therefore not renewed the lease in Florida and recorded closing costs.

Consequently, the results of the operations of Digital Arrow were recorded as discontinued operations and the results of the Company for the years ended December 31, 2005 and 2004 were reclassified to account for the closure of the subsidiary s operations. The Company had acquired Digital Arrow on June 10, 2004.

In 2005, the loss of discontinued operations amounting to $2,315,335 included a write-down of $1,625,898 for property, plant and equipment, intangible assets and goodwill.

In 2004, the results of discontinued operations totalling $733,654 include a gain on disposal of the assets of IBT of $1,588,923, net cost for an amount of $544,927 of IBT and net loss of Digital Arrow of $310,342. In 2003, IBT recorded a loss before income taxes of $32,220 and a tax provision of $267,833 to reflect a likely reassessment of R&D deductions claimed by the UK operation in prior years.

Earnings (loss) for the year

In accordance with Canadian GAAP, loss from continuing operations total $3,342,983 ($0.27 per share) in 2005, compared to earnings of $370,753 ($0.03 per share) in 2004 and $88,990 ($0.01 per share) in 2003. For 2005, 2004 and 2003, there is no difference between net earnings (loss) under US GAAP as compared to Canadian GAAP.

Liquidity and capital resources

As at December 31, 2005, the Company had liquidities of $8,514,513 which were composed of $4,501,201 in cash and cash equivalents and $4,013,312 in temporary investments compared to $27,631,244 in 2004 which consisted mainly of cash and cash equivalents of $20,609,089, $148,000 of restricted cash and $6,874,155 of temporary investments. For the year ended December 31, 2005, working capital was $8,944,985 compared to $27,528,003 for the previous year.

Operating activities used cash of $2,081,470 in 2005 compared to generating cash of $1,006,093 in 2004 and use of cash of $61,957 in 2003. In 2005, the cash used is mainly due to the loss from continuing operations of $3,342,983 offset by the net change in non-cash working capital of $1,420,013 mainly due to a decrease in accounts receivable of $1,266,077 and an increase in accounts payable of $277,841. The cash used from discontinued operation amounted to $630,288 in 2005.

In 2004, adjustments for non-cash items such as future income taxes of $400,855, amortization of intangible assets and amortization of property, plant and equipment of $191,218 and $133,123 respectively, write-down of investment of $365,286, stock-based compensation costs of $281,367 and financial fees paid by issuance of capital stock and warrants of $260,301 mainly explain the positive cash flows. The net change in non-cash working capital items partially offset the above-mentioned items mainly due to an increase in our accounts receivable, a direct result of the growth of our sales. However, discontinued operations partially offset positive cash flows from continuing operations by $790,370. The cash used for operating activities from discontinued operations is primarily related to the net change in non-cash working capital items mainly due to a decrease in accounts payable and accrued liabilities and income taxes payable.

In 2003, operating activities used cash of $61,957 mainly due to the fact that the accounts receivable increased by $1,033,078 during the year pursuant to increased revenues offset by cash flow from operating activities of discontinued operations of $479,852.

In 2005, investing activities used cash of $13,131,709 of which $15,851,922 was used for the acquisition of Copernic, $140,630 used for purchases of property, plant, equipment and intangibles assets and the decrease in temporary investments provided cash of $2,860,843. The use of cash in 2004 of $6,495,722 mainly reflected the net increase in short-term investments of $6,850,979 composed of commercial paper with maturity dates in excess of 90 days, purchases of property, plant, equipment and intangibles assets of $79,718 and cash provided from discontinued operations of $434,975 reflected the cash consideration for the sale of the assets of IBT of $1,699,185 partially compensated by the acquisition of Digital Arrow for a cash consideration of $1,264,210. In 2003, investing activities used cash of $95,167.

In 2005, financing activities used cash of $1,046,731 mainly explained by the redemption of common shares of the Company. In 2004 and 2003, financing activities generated $21,701,442 and $585,598 respectively due to issuance of common shares and warrants through a private placement and exercised options.

The Company considers that cash and cash equivalents will be sufficient to meet normal operating requirements until the end of 2006. In the long term, the Company may require additional liquidity to fund growth, which could include additional equity offerings or debt financing.

Concentration of credit risk with customers

As at December 31, 2005, two customers represented 39% of our accounts receivable compared to 30% from four customers for the previous year resulting in a significant concentration of credit risk. Management monitors the evolution of these customers closely in order to rapidly identify any potential problems. These customers have paid receivables as per their commercial agreements. The Company also monitors the other accounts receivable and there is no indication of credit risk deterioration. Nevertheless we cannot assure that we can retain the business of these customers or that their business will not decline generally in the future.

Q4 2005 RESULTS

Revenues

Revenues for Q4 2005 totalled $1,659,017, compared to $3,416,315 for the same period in 2004. The decrease of $1,757,298 or 51% was explained by a reduction in search advertising revenues

by $974,301 due to industry pressure to deliver better conversion rates and to improve traffic quality by cutting non-converting clicks and a reduction in graphic advertising revenue by $853,906 due to the loss of a significant number of sales people during the last quarter of the year. Other revenues increased by $70,909 mainly due to Copernic s activity from the date of acquisition.

Expenses

Cost of revenues

For Q4 2005, cost of revenues represented $739,276, or 45% over revenues compared to $1,404,294 or 41% in Q4 2004. The increase as a percentage of revenues is mainly explained by an increase in graphic payout costs due to competitive landscape; graphic partners require higher payouts in order to maintain their relationship with the Company.

Marketing, sales and services

For Q4 2005, marketing, sales and services expenses decreased to $321,541 compared to $679,964 for the same period in 2004, representing a decrease of $358,423. The variance reflected a decrease of approximately $149,000 in salaries and related employment costs explained by a lower number of people and lower commissions due to sales reduction, and the decrease of bad debt expense of $113,000 and of $63,000 for the charges paid for content from other search engines.

General and administration

General and administration expenses in Q4 2005 were $1,145,862 compared to $1,150,933 in Q4 2004, a decrease of $5,071. The decrease is mainly explained by a reduction of $237,000 in audit fees offset by $108,000 of directors and officers insurance due to higher risks for the Company, $81,000 of professional fees in relation to the securities class action lawsuits and SEC investigation, and $40,000 in consulting fees for SOX 404 compliant requirements.

Product development and technical support

Product development and technical support were $345,407 in Q4 2005 compared to $279,283 for the same period last year. The variance of $66,124 is explained by an increase of approximately $57,000 in salaries and related employment costs due to an increase in stock-based compensation and accrued retention bonuses.

Interest income

Interest and other income increased in Q4 2005 to $264,461 from $116,578 for the same period in 2004. Interest rates on cash equivalents and temporary investments were higher in 2005 and during Q4 2005, the Company received $41,878 from Tri-Link Technologies Inc. as interest from the Company s investment already written-down.

Earnings (loss) from continuing operations and earnings (loss) per share from continuing operations

The Company reported a loss from continuing operations of $739,711 ($0.06 per share), in Q4 2005, compared to a loss of $462,582 ($0.04 per share) in Q4 2004.

Results of discontinued operations and earnings (loss) per share from discontinued operations

In September 2005, following the poor performance of Digital Arrow located in Florida, management decided to discontinue its subsidiary s operations. Consequently, the results of the operations of Digital Arrow were recorded as discontinued operations and the results of the Company for the three-month periods ended December 31, 2005 and 2004 were reclassified to account for the closure of the subsidiary s operations. The loss from discontinued operations for Q4 2005 totalled $22,844 and $208,985 for Q4 2004.

Net earnings (loss) and net earnings (loss) per share

Net loss for the three months ended December 31, 2005 totalled $762,555 ($0.06 per share) compared to a net loss of $671,567 ($0.06 per share) for the same period in 2004.

Operating activities

In Q4 2005, operating activities from continuing operations provided cash totalling $521,654 compared to cash outflow of $658,986 for the same period in 2004. The positive variance is mainly explained by the improvement in net change in non-cash working capital items of $1,066,776 in Q4 2005 compared to a used of $834,691 in Q4 2004.

Investing activities

Investing activities from continuing operations in Q4 2005 used cash totalling $19,872,778 of which $15,851,922 was used in the acquisition of Copernic and $4,013,312 in the purchase of temporary investments, compared to $3,883,736 use for the corresponding quarter of 2004. The use of cash in the fourth quarter of 2004 was mainly due to the increase in temporary investments.

Financing activities

In Q4 2005 and 2004, no cash was provided by, nor used in, any financing activities of the Company.

Off balance sheet arrangements

As at December 31, 2005 and 2004, the Company has no off balance sheet arrangements.

Contractual obligations, contingent liabilities and commitments

The following table summarizes our contractual obligations as at December 31, 2005, and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

	Operating leases
Years:	**$**
2006	329,000
2007	218,000
2008	182,000
2009	106,000
2010	71,000
Thereafter	-

The Company maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify its directors, and officers and former directors, officers and employees of acquired companies, in certain circumstances. It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements may not be subject to maximum loss clauses. Historically, the Company has not incurred material costs as a result of obligations under these agreements and it has not accrued any liabilities related to such indemnification obligations in its financial statements.

RISKS AND UNCERTAINTIES

While Mamma.com s Management has confidence in the Company s long-term performance prospects, the following factors, among others, should be considered in evaluating its future results of operations.

Our future growth significantly depends to a high degree of our ability to integrate our recent acquisition of Copernic, failure or delays would adversely affect our business and results of operations.

On December 22, 2005, we completed our acquisition of Copernic which should be accretive to earnings in 2006 and should position the Company as a leader in search technologies and applications and as a multi-channel on-line marketing services provider. We have high

expectations for the Copernic Desktop Search® (CDS) award-winning product. This world-class software has already seen a healthy adoption rate in blue chip customer agreements and we expect that other major portals will also want to adopt CDS in order to protect against user attrition and generate more cost per click revenues from their search partners. Any failure or delay in successfully integrating Copernic into the Company s operations could adversely affect our business and results of operations

Our revenues depend to a high degree on our relationship with two customers, the loss of which would adversely affect our business and results of operations.

For the year ended December 31, 2005, approximately 14% and 11% respectively of our revenues were derived from agreements with our two largest customers. Revenues from these customers represented 2% and 11% of our revenues in 2004 and 0% and 8% of our revenues in 2003.

Although we monitor our accounts receivable for credit risk deterioration and these customers have been paying their payables to Mamma.com in accordance with the terms of their agreements with the Company, there can be no assurance that they will continue to do so or that they will continue to do so at the volume of business they have done historically. Our loss of these customers business would adversely affect our business and results of operations.

Our operating results may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectations.

Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control. For these reasons, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly and annual expenses as a percentage of our revenues may be significantly different from our historical or projected rates. Our operating results in future quarters may fall below expectations. Any of these events could cause our stock price to fall. Each of the risk factors listed in this Risk Factors section, and the following factors, may affect our operating results:

- Our ability to continue to attract users to our web sites.
- Our ability to monetize (or generate revenue from) traffic on our web sites and our network of advertisers web sites.
- Our ability to attract advertisers.
- The amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our businesses, operations and infrastructure.
- Our focus on long term goals over short term results.
- The results of any investments in risky projects.
- Payments that may be made in connection with the resolution of litigation matters.
- General economic conditions and those economic conditions specific to the Internet and Internet advertising.
- Our ability to keep our web sites operational at a reasonable cost and without service interruptions.
- Geopolitical events such as war, threat of war or terrorist actions.

Because our business is changing and evolving, our historical operating results may not be useful to you in predicting our future operating results. In addition, advertising spending has historically been cyclical in nature, reflecting overall economic conditions as well as budgeting and buying patterns. Also, user traffic tends to be seasonal.

We are the subject of an SEC investigation which may depress the market price for our Common Shares, reduce the liquidity of the Common Shares trading market and negatively affect our results of operations.

We are the subject of an SEC investigation. The scope, focus and subject matter of the SEC investigation may change from time to time. Adverse developments in connection with the investigation or our internal fact finding could have a negative impact on our Company and on how it is perceived by investors and potential investors and negatively impact our results of operations. In addition, the management effort and attention required to respond to the investigation and any such developments could have a negative impact on our business operations. An adverse determination by the SEC in its investigation could result in negative consequences for the Company, including initiation of enforcement proceedings, fines, penalties and possibly other sanctions that could harm the Company s business, reduce the market value of its Common Shares and negatively affect its results of operations.

Expenses relating to the SEC investigation could negatively affect our results of operations.

While we are not able to estimate, at this time, the amount of the additional expenses that we will incur in future connection with the investigation, we expect that it could negatively affect our results of operations.

Adverse results in purported securities class action lawsuit could result in significant damages and adversely affect the Company s financial condition and results of operation.

On February 22, 2005, the first of several purported securities class action lawsuits was filed in the United States District Court, Southern District of New York against the Company, and certain of the Company s current officers and directors. The plaintiffs allege, among other things, violations of the Securities Exchange Act of 1934 for purportedly failing to disclose and misrepresenting certain allegedly material facts relative to the market for and trading in the Company s stock, and seek unspecified damages. The purported class actions appear to be based on unsubstantiated rumours, purported statements from unidentified individuals and newspaper reports. All of these lawsuits have been consolidated and the lead plaintiff has filed an amended complaint in the case. On March 28, 2006, the court in the consolidated case denied a motion the Company filed for dismissal of the consolidated complaint. The Company denies the allegations against it, believes that the purported claims are without merit, and intends to continue defend itself vigorously. Nevertheless, a finding of liability of the Company in any of these class action lawsuits could result in significant damages and materially adversely affect the Company s financial condition and results of operations.

We rely on our co-branded web site partners for a significant portion of our net revenues, and otherwise benefit from our association with them. The loss of these co-branded web site partners could prevent us from receiving the benefits we receive from our association with them, which could adversely affect our business.

We provide advertising, web search and other services to members of our co-branded partner web sites. We expect the percentage of our net revenues generated from this network to increase in the future. We consider this network to be critical in the future growth of our net revenues. However, some of the participants in this network may compete with us in one or more areas. Therefore, they may decide in the future to terminate their agreements with us. If our co-branded

web site partners decide to use a competitor s or their own web search or advertising services, our net revenues would decline.

We face competition from other Internet companies, including web search providers, Internet advertising companies and destination web sites that may also bundle their services with Internet access.

In addition to Microsoft, Yahoo, Google and Ask.com, we face competition from other web search providers, including companies that are not yet known to us. We compete with Internet advertising companies, particularly in the areas of pay-for-performance and keyword-targeted Internet advertising. Also, we may compete with companies that sell products and services online because these companies, like us, are trying to attract users to their web sites to search for information about products and services.

We also compete with destination web sites that seek to increase their search-related traffic. These destination web sites may include those operated by Internet access providers, such as cable and DSL service providers. Because our users need to access our services through Internet access providers, they have direct relationships with these providers. If an access provider or a computer or computing device manufacturer offers online services that compete with ours, the user may find it more convenient to use the services of the access provider or manufacturer. In addition, the access provider or manufacturer may make it hard to access our services by not listing them in the access provider s or manufacturer s own menu of offerings. Also, because the access provider gathers information from the user in connection with the establishment of a billing relationship, the access provider may be more effective than we are in tailoring services and advertisements to the specific tastes of the user.

There has been a trend toward industry consolidation among our competitors, and so smaller competitors today may become larger competitors in the future. If our competitors are more successful than we are at generating traffic and advertising, our revenues may decline.

We face competition from traditional media companies, and we may not be included in the advertising budgets of large advertisers, which could harm our operating results.

In addition to Internet companies, we face competition from companies that offer traditional media advertising opportunities. Most large advertisers have set advertising budgets, a very small portion of which is allocated to Internet advertising. We expect that large advertisers will continue to focus most of their advertising efforts on traditional media. If we fail to convince these companies to spend a portion of their advertising budgets with us, or if our existing advertisers reduce the amount they spend on our programs, our operating results would be harmed.

Our revenues declined in 2005 and anticipate downward pressure on our operating margin in the future.

We believe our operating margin may decline as a result of increasing competition and increased expenditures for all aspects of our business as a percentage of our revenues, including product development and sales and marketing expenses. We also expect that our operating margin may decline as a result of increases in the proportion of our revenues generated from our co-branded partner web sites. The margin on revenues we generate from our co-branded partner web sites is generally significantly less than the margin on revenues we generate from advertising on our web sites. Additionally, the margin we earn on revenues generated from our co-branded partner web

sites could decrease in the future if our co-branded partners require a greater portion of the advertising fees.

If we do not continue to innovate and provide products and services that are useful to users, we may not remain competitive, and our revenues and operating results could suffer.

Our success depends on providing products and services that people use for a high quality Internet experience. Our competitors are constantly developing innovations in web search, online advertising and providing information to people. As a result, we must continue to invest significant resources in research and development in order to enhance our web search technology and our existing products and services and introduce new high-quality products and services that people will use. If we are unable to predict user preferences or industry changes, or if we are unable to modify our products and services on a timely basis, we may lose users, advertisers and co-branded web site partners. Our operating results would also suffer if our innovations were not responsive to the needs of our users, advertisers and co-branded web site partners are not appropriately timed with market opportunity, effectively brought to market or well received in the market place. As search technology continues to develop, our competitors may be able to offer search results that are, or that are perceived to be, substantially similar or better than those generated by our search services. This may force us to compete on bases in addition to quality of search results and to expend significant resources in order to remain competitive.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brands, our ability to expand our base of users and advertisers will be impaired and our business and operating results will be harmed.

We believe that the brand identity that we have developed has significantly contributed to the success of our business. We also believe that maintaining and enhancing the Company s brands are critical to expanding our base of users and advertisers. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. If we fail to promote and maintain the Mamma and Copernic® brands, or if we incur excessive expenses in this effort, our business, operating results and financial condition will be materially and adversely affected. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brands may become increasingly difficult and expensive. Maintaining and enhancing our brand will depend largely on our ability to continue to provide high quality products and services, which we may not do successfully.

New technologies could block our ads, which would harm our business.

Technologies may be developed that can block the display of our ads. Most of our revenues are derived from fees paid to us by advertisers in connection with the display of ads on web pages. As a result, ad-blocking technology could, in the future, adversely affect our operating results.

We generate all of our revenue from advertising, and the reduction of spending by or loss of advertisers could seriously harm our business.

We generated all of our revenues in 2005 from our advertisers. Our advertisers can generally terminate their contracts with us at any time. Advertisers will not continue to do business with us if their investment in advertising with us does not generate sales leads, and ultimately customers, or if we do not deliver their advertisements in an appropriate and effective manner. If we are unable to remain competitive and provide value to our advertisers, they may stop placing ads with us, which could negatively affect our net revenues and business. Mamma has on-going efforts to

maintain a high quality network of publishers in order to offer advertisers high quality users that will provide for a satisfactory ROI. We therefore, from time to time cease sending advertisements to what we qualify a low quality publishers. This can reduce our revenues in the short term in order to create adverstiser retention in the long term.

Our operating results may be subject to fluctuations.

Our operating results may fluctuate as a result of many factors related to our business, including the competitive conditions in the industry, loss of significant customers, delays in the development of new services and usage of the internet, as described in more detail below, and general

factors such as size and timing of orders and general economic conditions.

We face significant competition from Microsoft, Yahoo, Google and Ask.com.

We face formidable competition in every aspect of our business, and particularly from other companies that seek to connect people with information on the web and provide them with relevant advertising. Currently, we consider our primary competitors to be Microsoft, Yahoo and Google. Microsoft has announced plans to develop a new web search technology that may make web search a more integrated part of the Windows operating system. We expect that Microsoft will increasingly use its financial and engineering resources to compete with us. Yahoo has become an increasingly significant competitor, having acquired Overture Services, which offers Internet advertising solutions that compete with our advertising programs.

Microsoft, Yahoo, Google and Ask.com have more employees and cash resources than we do. These companies also have longer operating histories and more established relationships with customers. They can use their experience and resources against us in a variety of competitive ways, including by making acquisitions, investing more aggressively in research and development and competing more aggressively for advertisers and web sites. Microsoft and Yahoo also may have a greater ability to attract and retain users than we do because they operate Internet portals with a broad range of products and services. If Microsoft, Yahoo, Google or Ask.com are successful in providing similar or better web search results compared to ours or leverage their platforms to make their web search services easier to access than ours, we could experience a significant decline in user traffic. Any such decline in traffic could negatively affect our net revenues.

Volatility of stock price and trading volume could adversely affect the market price and liquidity of the market for our Common Shares.

Our Common Shares are subject to significant price and volume fluctuations, some of which result from various factors including (a) changes in our business, operations, and future prospects, (b) general market and economic conditions, and (c) other factors affecting the perceived value of our Common Shares. Significant price and volume fluctuations have particularly impacted the market prices of equity securities of many technology companies including without limitation those providing communications software or Internet-related products and services. Some of these fluctuations appear to be unrelated or disproportionate to the operating performance of such companies. The market price and trading volume of our Common Shares have been, and may likely continue to be, volatile, experiencing wide fluctuations. During the twelve-month period ended December 31, 2005, the closing per share price of our Common Shares has varied from $2.12 to $6.28. During that same period, the daily trading volume of our Common Shares has varied between 22,500 and 12,871,300 with an average daily trading of 325,730 Common Shares. Future market conditions may adversely affect the market price and trading volume of our

Common Shares. Furthermore, should the market price of our Common Shares drop below the $1.00 per share minimum bid price requirement, our Common Shares risk being delisted from the NASDAQ SmallCap Market®, which would have an adverse effect on our business and liquidity of our Common Shares. Brokerage firms may not provide a market for low-priced stock, may not recommend low-priced stock to their clients and may charge a greater percentage commission on low-priced stock than that which they would charge on a transaction of a similar dollar amount but fewer shares. These circumstances may adversely impact trading in our Common Shares and may also adversely affect our ability to access capital.

Infringement and liability claims could damage our business.

Companies in the Internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. As we face increasing competition and become increasingly high profile, the possibility of intellectual property rights claims against us grows. Our technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle and could divert resources and attention. In addition, many of our agreements with our advertisers require us to indemnify certain third-party intellectual property infringement claims, which would increase our costs as a result of defending such claims and may require that we pay damages if there were an adverse ruling in any such claims. An adverse determination also could prevent us from offering our services to others and may require that we procure substitute services for these members.

With respect to any intellectual property rights claim, we may have to pay damages or stop using technology or content found to be in violation of a third party s rights. We may have to seek a license for the technology or content, which may not be available on reasonable terms and may significantly increase our operating expenses. The technology or content also may not be available for license to us at all. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense, or stop using the content. If we cannot license or develop technology or content for the infringing aspects of our business, we may be forced to limit our product and service offerings and may be unable to compete effectively. Any of these results could harm our brand and operating results.

In addition, we may be liable to third-parties for content in the advertising we deliver if the artwork, text or other content involved violates copyright, trademark, or other intellectual property rights of third-parties or if the content is defamatory. Any claims or counterclaims could be time-consuming, could result in costly litigation and could divert management s attention.

Additionally, we may be subject to legal actions alleging patent infringement, unfair competition or similar claims. Others may apply for or be awarded patents or have other intellectual property rights covering aspects of our technology or business. For example we understand that Overture Services, Inc. (recently acquired by Yahoo) purports to be the owner of U.S. Patent No. 6,269,361, which was issued on July 31, 2001 and is entitled System and method for influencing a position on a search result list generated by a computer network search engine. Overture has aggressively pursued its alleged patent rights by filing lawsuits against other pay-per-click search engine companies such as MIVA (formerly known as FindWhat.com) and Google. MIVA and Google have asserted counter-claims against Overture including, but not limited to, invalidity, unenforceability and non-infringement.

Historical net results include net losses for the years ended December 31, 1999 to December 31, 2003 and for the year ended December 31, 2005. Working capital may be inadequate.

Prior to December 31, 2004 and for the year ended December 31, 2005, we have reported net losses and net losses per share during these years. We have been financing operations mainly from funds obtained in several private placements, and from exercised warrants and options. Management considers that cash and cash equivalents as at December 31, 2005 will be sufficient to meet normal operating requirements throughout 2006. In the long term, we may require additional liquidity to fund growth, which could include additional equity offerings or debt finance. No assurance can be given that we will be successful in getting required financing in the future.

Goodwill may be written-down in the future.

Goodwill is evaluated for impairment annually, or when events or changed circumstances indicate impairment may have occurred. Management monitors goodwill for impairment by considering estimates including discount rate, future growth rates, amounts and timing of estimated future cash flows, general economic, industry conditions and competition. Future adverse changes in these factors could result in losses or inability to recover the carrying value of the goodwill consequently, our goodwill, which amounts to approximately $16.3M as at December 31, 2005, may be written-down in the future which could adversely effect our financial position.

Long-lived assets may be written-down in the future.

The Company assesses the carrying value of its long-lived assets, which include property, plant and equipment and intangible assets, for future recoverability when events or changed circumstances indicate that the carrying value may not be recoverable. Management monitors long-lived assets for impairment by considering estimates including discount rate, future growth rates, general economic, industry conditions and competition. Future adverse changes in these factors could result in losses or inability to recover the carrying value of the long-lived assets. Consequently, our long-lived assets, which amounts to approximately $9.2M as at December 31, 2005, may be written-down in the future.

Investment in LTRIM may be written-down in the future.

We have an investment in LTRIM. LTRIM is a corporation which has started its commercialization phase and there is no assurance that it will become profitable in the future or that we will be able to recover the cost of this investment. Consequently, our investment in LTRIM, which has been written-down in the past to $720,000, may be written-down again in the future.

Reduced Internet use may adversely affect our results.

Our business is based on Internet driven products and services including direct on-line Internet marketing. The emerging nature of the commercial uses of the Internet makes predictions concerning a significant portion of our future revenues difficult. As the industry is subject to rapid changes, we believe that period-to-period comparisons of its results of operations will not necessarily be meaningful and should not be relied upon as indicative of our future performance. It is also possible that in some fiscal quarters, our operating results will be below the expectations

of securities analysts and investors. In such circumstances, the price of our Common Shares may decline. The success of a significant portion of our operations depends greatly on increased use of the Internet by businesses and individuals as well as increased use of the Internet for sales, advertising and marketing. It is not clear how effective Internet related advertising is or will be, or how successful Internet-based sales will be. Our results will suffer if commercial use of the Internet, including the areas of sales, advertising and marketing, fails to grow in the future.

Our long-term success may be materially adversely affected if the market for E-commerce does not grow or grows slower than expected.

Because many of our customers advertisements encourage online purchasing, our long-term success may depend in part on the growth and market acceptance of e-commerce. Our business will be adversely affected if the market for e-commerce does not continue to grow or grows slower than now expected. A number of factors outside of our control could hinder the future growth of e-commerce, including the following:

- the network infrastructure necessary for substantial growth in Internet usage may not develop adequately or our performance and reliability may decline;
- insufficient availability of telecommunication services or changes in telecommunication services could result in inconsistent quality of service or slower response times on the Internet;
- negative publicity and consumer concern surrounding the security of e-commerce could impede our growth; and
- financial instability of e-commerce customers.

Security breaches and privacy concerns may negatively impact our business.

Consumer concerns about the security of transmissions of confidential information over public telecommunications facilities is a significant barrier to increased electronic commerce and communications on the Internet that are necessary for growth of the Company s business. Many factors may cause compromises or breaches of the security systems we use or other Internet sites use to protect proprietary information, including advances in computer and software functionality or new discoveries in the fields of cryptography and processor design. A compromise of security on the Internet would have a negative effect on the use of the Internet for commerce and communications and negatively impact our business. Security breaches of their activities or the activities of their customers and sponsors involving the storage and transmission of proprietary information, such as credit card numbers, may expose our operating business to a risk of loss or litigation and possible liability. We cannot assure that the measures in place are adequate to prevent security breaches.

If we fail to detect click fraud, we could lose the confidence of our advertisers, thereby causing our business to suffer.

We are exposed to the risk of fraudulent clicks on our ads from a variety of potential sources. We have regularly refunded revenues that our advertisers have paid to us that were later attributed to click fraud, and we expect to do so in the future. Click fraud occurs when a person clicks on an ad displayed on a web site for a reason other than to view the underlying content. If we are unable to

stop this fraudulent activity, these refunds may increase. If we find new evidence of past fraudulent clicks we may issue refunds retroactively of amounts previously paid to our network of advertisers. This would negatively affect our profitability, and these types of fraudulent activities could hurt our brand. If fraudulent clicks are not detected, the affected advertisers may experience a reduced return on their investment in our advertising programs because the fraudulent clicks will not lead to potential revenue for the advertisers. This could lead the advertisers to become dissatisfied with our advertising programs, which could lead to a loss of advertisers and revenues and potentially litigation.

Index spammers could harm the integrity of our web search results, which could damage our reputation and cause our users to be dissatisfied with our products and services.

There is an ongoing and increasing effort by index spammers to develop ways to manipulate our web search results. For example, because our web search technology ranks a web page s relevance based in part on the importance of the web sites that link to it, people have attempted to link a group of web sites together to manipulate web search results. We take this problem very seriously because providing relevant information to users is critical to our success. If our efforts to combat these and other types of index spamming are unsuccessful, our reputation for delivering relevant information could be diminished. This could result in a decline in user traffic, which would damage our business.

Our business is subject to a variety of U.S. and foreign laws that could subject us to claims or other remedies based on the nature and content of the information searched or displayed by our products and services, and could limit our ability to provide information regarding regulated industries and products.

The laws relating to the liability of providers of online services for activities of their users are currently unsettled both within the U.S. and abroad. Claims have been threatened and filed under both U.S. and foreign law for defamation, libel, invasion of privacy and other data protection claims, tort, unlawful activity, copyright or trademark infringement, or other theories based on the nature and content of the materials searched and the ads posted or the content generated by our users. Increased attention focused on these issues and legislative proposals could harm our reputation or otherwise affect the growth of our business.

The application to us of existing laws regulating or requiring licenses for certain businesses of our advertisers, including, for example, distribution of pharmaceuticals, adult content, financial services, alcohol or firearms, can be unclear. Existing or new legislation could expose us to substantial liability, restrict our ability to deliver services to our users, limit our ability to grow and cause us to incur significant expenses in order to comply with such laws and regulations.

Several other federal laws could have an impact on our business. Compliance with these laws and regulations is complex and may impose significant additional costs on us. For example, the Digital Millennium Copyright Act has provisions that limit, but do not eliminate, our liability for listing or linking to third-party web sites that include materials that infringe copyrights or other rights, so long as we comply with the statutory requirements of this act. The Children s Online Protection Act and the Children s Online Privacy Protection Act restrict the distribution of materials considered harmful to children and impose additional restrictions on the ability of online services to collect information from minors. In addition, the Protection of Children from Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. Any failure on our part to comply with these regulations may subject us to additional liabilities.

If the technology that we currently use to target the delivery of online advertisements and to prevent fraud on our networks is restricted or becomes subject to regulation, our expenses could increase and we could lose customers or advertising inventory.

Websites typically place small files of non-personalized (or anonymous) information, commonly known as cookies, on an Internet user s hard drive, generally without the user s knowledge or consent. Cookies generally collect information about users on a non-personalized basis to enable websites to provide users with a more customized experience. Cookie information is passed to the website through an Internet user s browser software. We currently use cookies to track an Internet user s movement through the advertiser s website and to monitor and prevent potentially fraudulent activity on our network. Most currently available Internet browsers allow Internet users to modify their browser settings to prevent cookies from being stored on their hard drive, and some users currently do so. Internet users can also delete cookies from their hard drives at any time. Some Internet commentators and privacy advocates have suggested limiting or eliminating the use of cookies, and legislation (including, but not limited to, Spyware legislation such as U.S. House of Representatives Bill HR 29 the Spy Act) has been introduced in some jurisdictions to regulate the use of cookie technology. The effectiveness of our technology could be limited by any reduction or limitation in the use of cookies. If the use or effectiveness of cookies were limited, we would have to switch to other technologies to gather demographic and behavioral information. While such technologies currently exist, they are substantially less effective than cookies. We would also have to develop or acquire other technology to prevent fraud. Replacement of cookies could require significant reengineering time and resources, might not be completed in time to avoid losing customers or advertising inventory, and might not be commercially feasible. Our use of cookie technology or any other technologies designed to collect Internet usage information may subject us to litigation or investigations in the future. Any litigation or government action against us could be costly and time-consuming, could require us to change our business practices and could divert management s attention.

Increased regulation of the Internet may adversely affect our business.

If the Internet becomes more strongly regulated, a significant portion of our operating business may be adversely affected. For example, there is increased pressure to adopt laws and regulations relating to Internet unsolicited advertisements, privacy, pricing, taxation and content. The enactment of any additional laws or regulations in Canada or the United States, or any state or province of either of them may impede the growth of the Internet and our Internet-related business, and could place additional financial burdens on us and our Internet-related business.

Changes in key personnel, labour availability and employee relations could disrupt our business.

Our success is dependent upon the experience and abilities of our senior management and our ability to attract, train, retain and motivate other high-quality personnel, in particular for our technical and sales teams. There is significant competition in our industries for qualified personnel. Labour market conditions generally and additional companies entering industries which require similar labour pools could significantly affect the availability and cost of qualified personnel required to meet our business objectives and plans. There can be no assurance that we will be able to retain our existing personnel or that we will be able to recruit new personnel to support our business objectives and plans. We believe our employee relations are good. Currently, none of our employees are unionized. There can be no assurance, however, that a collective bargaining unit will not be organized and certified in the future. If certified in the

future, a work stoppage by a collective bargaining unit could be disruptive and have a material adverse effect on us until normal operations resume.

Possible future exercise of warrants and options could dilute existing and future shareholders.

As at December 31, 2005, we had 646,392 warrants and 661,083 stock options outstanding. As at December 31, 2005, the exercise prices of some of our outstanding options, but none of our outstanding warrants, issued are lower than the market price of our Common Shares. While the market value of the Common Shares is above the respective exercise prices of some options and all the warrants, their exercise could result in the issuance of up to an additional 1,307,475 Common Shares. To the extent such shares are issued, the percentage of our Common Shares held by our existing stockholders will be reduced. Under certain circumstances the conversion or exercise of any or all of the warrants or stock options might result in dilution of the net tangible book value of the shares held by existing Company stockholders. For the life of the warrants and stock options, the holders are given, at prices that may be less than fair market value, the opportunity to profit from a rise in the market price of the shares of Common Shares, if any. The holders of the warrants and stock options may be expected to exercise them at a time when the Company may be able to obtain needed capital on more favourable terms. In addition, we reserve the right to issue additional shares of Common Shares or securities convertible into or exercisable for shares of Common Shares, at prices, or subject to conversion and exercise terms, resulting in reduction of the percentage of outstanding Common Shares held by existing stockholders and, under certain circumstances, a reduction in the net tangible book value of existing stockholders Common Shares.

Strategic acquisitions and market expansion present special risks.

A future decision to expand our business through acquisitions of other businesses and technologies presents special risks. Acquisitions entail a number of particular problems, including (i) difficulty integrating acquired technologies, operations, and personnel with the existing businesses, (ii) diversion of management s attention in connection with both negotiating the acquisitions and integrating the assets as well as the strain on managerial and operational resources as management tries to oversee larger operations, (iii) exposure to unforeseen liabilities relating to acquired assets, and (iv) potential issuance of debt instruments or securities in connection with an acquisition possessing rights that are superior to the rights of holders of the our currently outstanding securities, any one of which would reduce the benefits expected from such acquisition and/or might negatively affect our results of operations. We may not be able to successfully address these problems. We also face competition from other acquirers, which may prevent us from realizing certain desirable strategic opportunities.

We do not plan to pay dividends on the Common Shares.

We have never paid dividends on any class of our shares. Our management anticipates that any earnings generated from our operations will be used to finance our working capital and potential market expansion opportunities and that for the foreseeable future cash dividends will not be paid to holders of the Common Shares.

Rapidly evolving marketplace and competition may adversely impact our business.

The markets for our products and services are characterized by (i) rapidly changing technology, (ii) evolving industry standards, (iii) frequent new product and service introductions, (iv) shifting distribution channels, and (v) changing customer demands. The success of the Company will

depend on its ability to adapt to its rapidly evolving marketplaces. There can be no assurance that the introduction of new products and services by others will not render our products and services less competitive or obsolete. We expect to continue spending funds in an effort to enhance already technologically complex products and services and develop or acquire new products and services. Failure to develop and introduce new or enhanced products and services on a timely basis might have an adverse impact on our results of operations, financial condition and cash flows. Unexpected costs and delays are often associated with the process of designing, developing and marketing enhanced versions of existing products and services and new products and services. The market for our products and services is highly competitive, particularly the market for Internet products and services which lacks significant barriers to entry, enabling new businesses to enter this market relatively easily. Competition in our markets may intensify in the future. Numerous well-established companies and smaller entrepreneurial companies are focusing significant resources on developing and marketing products and services that will compete with the Company s products and services. Many of our current and potential competitors have greater financial, technical, operational and marketing resources. We may not be able to compete successfully against these competitors. Competitive pressures may also force prices for products and services down and such price reductions may reduce our revenues.

An inability to protect our intellectual property rights could damage our business.

We rely upon a combination of trade secret, copyright, trademark and other laws to protect our intellectual property assets. We have entered into confidentiality agreements with our management and key employees with respect to such assets and limit access to, and distribution of, these and other proprietary information. However, the steps we take to protect our intellectual property assets may not be adequate to deter or prevent misappropriation. We may be unable to detect unauthorized uses of and take appropriate steps to enforce and protect our intellectual property rights. Although senior management believes that our services and products do not infringe on the intellectual property rights of others, we nevertheless are subject to the risk that such a claim may be asserted in the future. Any such claims could damage our business.

To the extent our net revenues are paid in foreign currencies, and currency exchange rates become unfavourable, we may lose some of the economic value of the net revenues in U.S. dollar terms.

Although we currently transact a majority of our business in U.S. dollars, as we expand our operations more of our customers may pay us in foreign currencies. Conducting business in currencies other than U.S. dollars subjects us to fluctuations in currency exchange rates. If the currency exchange rates were to change unfavourably, the value of net receivables we receive in foreign currencies and later convert to U.S. dollars after the unfavourable change would be diminished. This could have a negative impact on our reported operating results. We do not currently engage in hedging strategies, such as forward contracts, options and foreign exchange swaps related to transaction exposures to mitigate this risk. If we determine to initiate such hedging activities in the future, there is no assurance these activities will effectively mitigate or eliminate our exposure to foreign exchange fluctuations. Additionally, such hedging programs would expose us to risks that could adversely affect our operating results, because we have limited experience in implementing or operating hedging programs. Hedging programs are inherently risky and we could lose money as a result of poor trades.

Higher inflation could adversely affect our results of operations and financial condition.

We do not believe that the relatively moderate rates of inflation experienced in the United States and Canada in recent years have had a significant effect on our revenues or profitability. Although higher rates of inflation have been experienced in a number of foreign countries in which we might transact business, we do not believe that such rates have had a material effect on our results of operations, financial condition and cash flows. Nevertheless, in the future, high inflation could have a material, adverse effect on the Company s results of operations, financial condition and cash flows.

DISCLOSURE CONTROLS AND PROCEDURES

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted as of December 31, 2005, by and under the supervision of Company s management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures, as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers Annual and Interim Filings, and in Rule 13a-15(e) under the Securities and Exchange Act of 1934 (the Exchange Act), are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation and the Exchange Act is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

CAPITAL STOCK INFORMATION

The following table discloses the Company s outstanding share data:

	Number of issued and outstanding shares as at March 15, 2006	Book value as at December 31, 2005
Common shares	14,340,864	95,298,234

As at March 29, 2006, the Company had 646,392 warrants and 720,744 stock options outstanding.

Forward-looking statements

Information contained in this Management s Discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements, which can be identified by the use of forward-looking terminology such as believes, expects, may, desires, will, should, proj "estimates, contemplates, anticipates, intends, or any negative such as does not believe or other variations thereof or comparable terminology. No assurance can be given that potential future results or circumstances described in the forward-looking statements will be achieved or occur. Such information may also include cautionary statements identifying important factors with respect to such forward-looking statements, including certain risks and uncertainties that could cause

actual results to vary materially from the projections and other expectations described in such forward-looking statements. Prospective investors, customers, vendors and all other persons are cautioned that forward-looking statements are not assurances, forecasts or guarantees of future

performance due to related risks and uncertainties, and that actual results may differ materially from those projected. Factors which could cause results or events to differ from current expectations include, among other things: the severity and duration of the adjustments in our business segments; the effectiveness of our restructuring activities, including the validity of the assumptions underlying our restructuring efforts; fluctuations in operating results; the impact of general economic, industry and market conditions; the ability to recruit and retain qualified employees; fluctuations in cash flow; increased levels of outstanding debt; expectations regarding market demand for particular products and services and the dependence on new product/service development; the ability to make acquisitions and/or integrate the operations and technologies of acquired businesses in an effective manner; the impact of rapid technological and market change; the impact of price and product competition; the uncertainties in the market for Internet-based products and services; stock market volatility; the trading volume of our stock; the possibility that our stock may not satisfy our requirements for continued listing on the NASDAQ SmallCap Market including whether the minimum bid price for the stock falls below $1; and the adverse resolution of litigation. Developments in the SEC inquiry, purported class action litigation or related events could have a negative impact on the Company, increase Company expenses or cause events or results to differ from current expectations. For additional information with respect to these and certain other factors that may affect actual results, see the reports and other information filed or furnished by the Company with the United States Securities and Exchange Commission (SEC) and/or the Ontario Securities Commission (OSC) respectively accessible on the internet at www.sec.gov and www.sedar.com, or the Company s website at www.mammainc.com. All information contained in these audited financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations is qualified in its entirety by the foregoing and reference to the other information the Company files with the OSC and SEC. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Period-to-Period Comparisons

A variety of factors may cause period-to-period fluctuations in the Company s operating results, including business acquisitions, revenues and expenses related to the introduction of new products and services or new versions of existing products, new or stronger competitors in the marketplace as well as currency fluctuations. Historical operating results are not indicative of future results and performance.

Selected Annual Information

(In thousand of US dollars, except per share data and in accordance with generally accepted accounting principles in Canada)

For the years ended December 31,	2005 $	2004 $	2003 $
Revenues	9,465	14,636	8,939
Earnings (loss) from continuing operations	(3,343)	371	89
Results of discontinued operations, net of income taxes	(2,315)	734	(300)
Net earnings (loss) for the year	(5,658)	1,104	(211)
Earnings (loss) per share from continuing operations			
Basic and diluted	(0.27)	0.03	0.01
Net earnings (loss) per share			
Basic and diluted	(0.46)	0.10	(0.03)
Total assets	38,327	35,166	11,736

Quarterly Financial Highlights

(in thousand of US dollars, except per share data and in accordance with generally accepted accounting principles in Canada)

	2005	2004

	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 $	Q1 $
Revenues	1,659	2,391	2,413	3,002	3,416	3,291	3,716	4,213
Earnings (loss) from continuing operations	(740)	(574)	(1,375)	(654)	(463)	326	98	410
Results of discontinued operations, net of income taxes	(23)	(931)	(1,124)	(237)	(209)	(42)	10	975
Net earnings (loss) for the period	(763)	(1,505)	(2,499)	(891)	(672)	284	108	1,384
Earnings (loss) per share from continuing operations								
Basic	(0.06)	(0.05)	(0.11)	(0.05)	(0.04)	0.02	0.01	0.05
Diluted	(0.06)	(0.05)	(0.11)	(0.05)	(0.04)	0.02	0.01	0.04
Net earnings (loss) per share								
Basic	(0.06)	(0.13)	(0.20)	(0.07)	(0.06)	0.02	0.01	0.17
Diluted	(0.06)	(0.13)	(0.20)	(0.07)	(0.06)	0.02	0.01	0.14

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

Following is a table, which discloses the names, functions, areas of expertise within the Company and present principal occupation(s) of the Company s directors and senior management.

Name	Functions and areas of experience within the Company	Present Principal Occupation(s)	Date first elected Director or appointed Senior Officer of the Company
Guy Fauré	Director and Officer	President & CEO, Mamma.com Inc.	May 23, 2002
Claude E. Forget	Director	Consultant Formerly CEO, Intasys Billing Technologies	October 11, 1999
David Goldman	Director and Officer	Executive Chairman, Mamma.com Inc.	May 24, 2001
Irwin Kramer	Director	President, iCongo, Inc.	May 24, 2001
Dr. David Schwartz			

	Director	Associate Professor, Bar Ilan University School of Business Administration	May 23, 2002
Daniel Bertrand	Officer	Executive Vice-President and Chief Financial Officer Mamma.com Inc.	July 8, 1999
Martin Bouchard	Officer	Executive Vice-President, Chief Strategist and Technology Officer	December 22, 2005
Patrick Hopf	Officer	Vice-President-Business Development Mamma.com Inc.	January 12, 2004
Joel Lamantia	Officer	Vice-President-Operations Mamma.com Inc.	January 12, 2004
Eric Bouchard	Officer	Vice-President-Products	December 22, 2005

Each Director s term of office expires at the earliest of the next annual meeting of shareholders or his resignation as Director.

With the exception of Martin Bouchard and Eric Bouchard who are brothers, to the knowledge of the Company, there is no family relationship among any of the persons named in this Item 6 nor were any such persons selected as directors or members of senior management pursuant to any arrangement or understanding with major shareholders, customers, suppliers or others.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Statement of Corporate Governance Practices

The directors of the Corporation strongly believe that sound corporate governance is essential to produce maximum value to shareholders. The following is a summary of the governance practices of the Corporation:

On August 1, 2002 the Board of Directors approved and adopted a document entitled Responsibilities of the Board of Directors and its Audit and Finance Committee and its Nominating, Human Resource and Governance Committee which sets forth the responsibilities for the Board and these two committees. This document was revised and approved by the Board of Directors on May 10, 2004. It was prepared in response to certain corporate governance concerns. This document includes the Corporation s insider trading policy and code of ethics.

1. Composition of the Board of Directors

Fifty percent of the directors of the Corporation are unrelated directors. An unrelated director is independent of management and free of any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director s ability to act in the best interest of the Corporation, other than relationships arising from the holding of shares.

The directors consider the following nominees to be unrelated to the Corporation: Claude E. Forget, Irwin Kramer and Dr. David Schwartz.

2. Committees of Directors

As at the date hereof, the members of the Audit and Finance Committee are Irwin Kramer, David Schwartz and Claude Forget. On March 29, 2006, the Board approved a new Charter of the Audit and Finance Committee of the Company. A copy of this Charter is attached as an exhibit to this Form 20-F. The Charter provide that the Audit and Finance Committee shall assist the Board in fulfilling its responsibilities relating to corporate accounting and reporting practices of the Company and in the quality and integrity of financial reports of the Company. The Audit and Finance Committee meets with the financial officers of the Company, including the Chief Financial Officer, who reports to the Chairman of the Audit Committee, and the independent auditors to review financial reporting matters, the system of internal accounting controls and the overall audit plan and examines the quarterly and

year-end financial statements before their presentation to the Board. In addition the Audit Committee fixes the compensation and other terms of engagement of the Company s independent auditors. In 2005, the Audit and Finance Committee met 8 times and the Company s independent auditors were present at 6 of them.

The Company maintains a Nominating, Human Resource and Governance Committee, which is responsible for overseeing and making recommendations to the Board on the following matters:

(i)	the search for and compensation of all senior executives and management of the Company and its subsidiaries, including periodic review of same;
(ii)	the Company s management structure and succession plans;
(iii)	the incentive plans for employees of the Company and its subsidiaries; and
(iv)	the Company s Stock Option Plan and the granting of stock options thereunder
(v)	the recommendation of new candidates as potential directors of the Company and the assessment of the performance of current directors and committees; and
(vi)	the review and recommendation of procedures to be followed with respect to corporate governance guidelines.

Composition of the Nominating, Human Resource and Governance Committee

From January 1, 2005 to August 17, 2005, the members of the Nominating, Human Resource and Governance Committee, were David Goldman, Claude Forget, Irwin Kramer and David Schwartz. David Goldman who is Executive Chairman of the Company, resigned from this Committee on August 17, 2005. During 2000 up to October 2, 2001, Claude Forget was Chief Executive Officer of Intasys Billing Technologies, a subsidiary of the Company, whose business was subsequently sold.

As part of its ongoing review of corporate governance matters, on March 29, 2006 the Company s Board of Directors approved a Charter constituting a Compensation Committee and a Nominating and Governance Committee to segregate the nominating and executive compensation functions into separate Charters as required by the listing standards of the National Association of Securities Dealers. Copies of the Compensation Committee Charter and Nominating and Governance Committee Charter are attached as Exhibits 15.4 and 15.5 to this Annual Report on Form 20-F Currently the Nominating, Human Resources and Governance Committee discharges the functions under each Charter.

Report on Executive Compensation

As part of its ongoing dedication to creating shareholder value and promoting corporate success, the Compensation Committee establishes executive compensation in order to attract, retain and motivate key executives and to reward significant performance achievements.

Consistent with the Company s objectives, and in order to further align shareholder and executive interests, the Compensation Committee places emphasis on bonuses based on performance and granting of stock options in establishing executive compensation.

Consequently, the standard executive compensation package of the Company is composed of three major components: (i) base salary and benefits, (ii) short-term incentive compensation and (iii) long-term incentive compensation.

i) Salary and Benefits

Salary and benefits policies of the Company are determined by looking at similar businesses in the Internet sector and are targeted at the mid range in the industry, taking into account the economic trends, the Company s competitive position and performance and extraordinary contributions to the Company.

ii) Short Term Incentive Compensation

The Company provides cash bonuses to those individuals of its senior management and its subsidiaries whose responsibilities and attainment of personal and Company objectives exceed established expectations, based on individual contributions, operating results, and financial performance. The amount of these payments are approved by the Compensation Committee and are based on specific goals in these areas. Compensation and target bonuses for each individual are set at the beginning of each year. At the end of the year the Compensation Committee determines the bonus for each executive based on the attainment of the performance measures and individual contributions.

For the year ending December 31, 2005, none of the operating and financial performance objectives were met, but officers were awarded bonuses for their individual contribution recognizing the extraordinary efforts they made during the year to respond to and overcome damage to the Company s business resulting from the SEC investigation and consolidated class action lawsuit.

In the case of Named Executive Officers, targeted incentive bonuses vary in proportion to base salary, depending primarily on the level of responsibility of the individual. Generally when operating results and financial performance objectives are exceeded bonuses are higher, when the objectives are not met the incentive bonuses are lower or nil depending on the circumstances and the individuals contribution to the Company.

In making compensation decisions with respect to each of these components, the Compensation Committee considers external market data for executives. Towers Perrin was retained by the Chair of the Compensation Committee in the most recent fiscal year to assist with preparing information and providing advice on officer and Board of Director compensation arrangements. Materials prepared by Towers Perrin have been presented by the Chair to the Compensation Committee for review and decisions. Towers Perrin s scope of services in the fiscal year included providing advice and market data related to Board of Director and officer compensation arrangements, assisting with the design of special compensation programs, and other general executive compensation assistance. Towers Perrin does not provide any other services to the Company.

The Compensation Committee uses the compensation data from Towers Perin as one of several factors in determining the appropriate levels of base salary, short-term and long-term incentives that fairly compensate the Company s executive officers.

In setting the compensation package for executives, the Compensation Committee balances consideration of base salary with short-term incentive compensation so that a significant proportion of executive officers compensation is linked to objectives aligned with the interests of the Company s shareholders.

iii) Retention Compensation

In view of the current circumstances confronting the Company including the continuing pendency of the SEC investigation, the securities class action lawsuit, and defection of several of the Company s Ad network sales employees to form a competing business. In April 2005, the Compensation Committee recommended and the Board resolved that Guy Fauré, Daniel Bertrand, Patrick Hopf and Joel Lamantia will receive a lump sum payment (the Award) equivalent to 70% of their base annual salaries at the end of the retention period. The end of the retention period will be the date of the 2006 Annual General Meeting (but not later than June 30, 2006). Awards are forfeited if the executive leaves voluntarily before the end of the retention period, or is terminated for cause.

iv) Long Term Incentive Compensation

The long term incentive component consists of the stock option plan of the Company which provides for the issuance of options to executive officers and other employees, directors or consultants to purchase common shares of the Company. The stock option plan of the Company is described below under the heading *Stock Option Plan* .

The Compensation Committee determine the executives, employees and directors eligible for the granting of options pursuant to the stock option plan. It also determines the size of each grant and the date on which each grant is to become effective. The exercise price of options granted may not be less than the market price of the Company s common shares as traded on the NASDAQ in U.S. dollars determined as of the date the options are granted. The number of options granted annually to recipients is determined on a discretionary basis.

The Compensation Committee may, in its discretion, determine when the options granted under the stock option plan may be exercised or vested, provided that the term of such options can not exceed ten (10) years.

Unless otherwise stipulated by the terms of a stock option grant, which terms are approved by the Compensation Committee, options granted pursuant to the stock option plan will lapse thirty (30) days after the holders ceases to be employed by the Company. In the event of death, any vested option of a holder lapses three (3) months after his or her death. In the event that the holder s employment terminates due to disability, the holder may exercise the vested options for one (1) year after the date of

termination of employment. If the holder is terminated for cause, vested options terminate immediately.

In 2005, the only grants of options to named Executive Officers were made in favour of Mr. Goldman, Mr. Fauré and Mr. Bertrand. During the first quarter of 2005, Messrs Goldman, Fauré, and Bertrand also voluntarily surrendered their entitlement to options granted on November 2, 2004 and these options were cancelled.

Compensation of the President and Chief Executive Officer

Prior to January 12, 2004, the Chairman and Chief Executive Officer of the Company was David Goldman who is now the Company s Executive Chairman. On January 12, 2004, Guy Fauré was appointed President and Chief Executive Officer of the Company. On August 12th, 2004, the Company amended the employment arrangement of the President and Chief Executive Officer. As a result, should there be a change of control in the Company, Guy Fauré will be entitled to a lump sum payment equal to 200% of his annual base salary if he:

(i) is terminated;

(ii) does not accept a relocation outside of the greater Montreal area;

(iii) does not accept an offer of employment with reduced levels of responsibility; or

(iv) does not accept an offer of compensation (including performance/incentive plan targets and long-term compensation) which is less than his current level.

The President and Chief Executive Officer s compensation is considered and determined by the Compensation Committee. The President and Chief Executive Officer does not participate in the Committee s decisions relating to his Compensation.

The aggregate compensation of the President and Chief Executive Officer consists of three components: base salary, annual cash bonus and equity incentives. The Committee strives to balance the compensation among these three components to stay competitive in the market and align the compensation with shareholder interests.

In 2005, Mr. Fauré s base salary was $199,520 US and he received a bonus of $168,952 US based upon individual contribution and extraordinary efforts in overcoming the negative effect on the Company s business resulting from the SEC investigation, class action lawsuit and defection of several of the Company s Ad network sale force to form a competing business. He also received taxable benefits of $3,980 US. In establishing Mr. Fauré s salary, the Compensation Committee assesses his overall contribution as well as the publicly disclosed compensation of chief executive officers of companies in the Internet sector, taking into account the factors described above under Salary and Benefits.

Conclusion

The Company s executive compensation policy links executive compensation to corporate results and individual contribution, as well as stock performance and long-term results. The Compensation Committee regularly reviews the various executive compensation components to ensure that they maintain their competitiveness in the industry and continue to focus on the Company s objectives, values and business strategies.

Depending on specific circumstances, the Compensation Committee may also recommend employment terms and conditions that deviate from the above described policies. The members of the Compensation Committee are:

Claude Forget
Irwin Kramer
David Schwartz

Statement of Executive Compensation

The following summary table, presented in accordance with applicable securities legislation, sets forth all compensation provided by the Company and its affiliates for the fiscal years ended December 31, 2003, 2004 and 2005 to:

(i) the Chief Executive Officer;

(ii) the Chief Financial Officer;

(iii) each of the Corporation s three most highly compensated executive officers, other than the Chief Executive Officer and the Chief Financial Officer, who were serving as executive officers at the end of December 31, 2005 and whose total salary and bonus exceeded CA$150,000, and

(iv) such other individuals for whom the foregoing disclosure would have been made but for the fact that such individual was not an officer of the Company at the end of December 31, 2005, (collectively, the Named Executive Officers).

Summary Compensation Table

Compensation is payable in Canadian dollars and converted by using the yearly average U.S. exchange rate.

		Annual Compensation		
Name and Principal Occupation	**Year**	**Salary U.S. $**	**Bonus U.S. $**	**Other Annual Compensation U.S. $ (Taxable Benefits Related to Exercised Options and Other)**
Guy Fauré	2005	199,520	168,952	3,980
President & CEO	2004	167,083	147,097	496,295
	2003	146,840	136,811	42,825
David Goldman	2005	Nil	Nil	Nil
Executive	2004	Nil	Nil	718,352
Chairman	2003	Nil	Nil	67,125
Daniel Bertrand				

Executive Vice-	2005	136,040	89,397	3,990
President and Chief	2004	119,841	62,752	172,128
Financial Officer	2003	100,281	49,769	49,600
Patrick Hopf				
VP of Business	2005	107,016	57,400	1,660
Development	2004	94,689	39,792	99,261

Annual compensation is paid in Canadian dollars and converted at the applicable exchange rates. Exchange rate conversions were .71629 in 2003, .77014 in 2004 and .82622 in 2005.

		Long Term Compensation			All Other Compensation
		Awards		Payouts	
Name and Principal Occupation	**Year**	**Securities Under Options #**	**Shares or Units Subject to Resale Restrictions ($)**	**LTIP Payouts $**	**U.S. $**
Guy Fauré	2005	176,500	Nil	Nil	Nil
President & CEO	2004	75,000[3]	Nil	Nil	Nil
	2003	69,000	Nil	Nil	Nil
David Goldman	2005	75,000	Nil	Nil	173,859[1]
Executive	2004	75,000[3]	Nil	Nil	159,573[1]
Chairman	2003	54,000	Nil	Nil	130,222[1]
Daniel Bertrand	2005	87,500	Nil	Nil	Nil
Executive Vice-	2004	50,000[3]	Nil	Nil	Nil
President and Chief	2003	39,000	Nil	Nil	Nil
Financial Officer					
Patrick Hopf[2]	2005	46,800	Nil	Nil	Nil
VP of Business	2004	Nil	Nil	Nil	Nil
Development					

1. The Company and Dave Goldman Advisors Ltd., a company controlled by Mr. Goldman, entered into a consulting agreement pursuant to which David Goldman provides his services to the Company. In addition, as part of the compensation paid to David Goldman, the Company agreed to grant him options under the Company s stock option plan.

2. Appointed officer of the Company in January 2004.

3. In February 2005, David Goldman, Guy Fauré and Daniel Bertrand voluntarily surrendered their entitlement to options granted on November 2, 2004 (expiring November 2, 2009) and the options were cancelled.

Employment Agreements and Change of Control Provisions

The Company has entered into employment arrangements and agreements with the following Named Executive Officers who remain in the employment of the Company. All sums mentioned herein are in U.S. Dollars.

On July 8, 1999, Daniel Bertrand, Executive Vice-President and Chief Financial Officer of the Company entered into an employment agreement with the Company. Pursuant to the terms and

conditions of his employment agreement, Mr. Bertrand is paid an annual salary of CA$174,000. Mr. Bertrand is also entitled to a bonus ranging from a minimum of 20% of his base salary for meeting minimum financial and individual performance levels, to a maximum of 60% for far exceeding expected performance levels. Mr. Bertrand is also entitled to receive stock options under the Company s stock option plan.

On August 12, 2004, the Company amended the employment arrangement of the Executive Vice-President and Chief Financial Officer. As a result, if there is a change of control of the Company, Mr. Bertrand will receive a lump sum payment equal to the greater of the past 18 months salary payments, or CA$225,000 if he:

(i) is terminated;

(ii) does not accept a relocation outside of the greater Montreal area;

(iii) does not accept an offer of employment at reduced levels of responsibility; or

(iv) does not accept an offer of compensation (including performance/incentive plan targets and long-term compensation) which is less than his current level.

On September 10, 2001, Guy Fauré, entered into an employment agreement with Mamma.com Enterprises Inc. Pursuant to the terms and conditions of this employment agreement, Mr. Fauré is entitled to an annual salary of CA$255,000 and an annual bonus ranging from a minimum of 35% of base salary for meeting minimum financial and individual performance levels, to a maximum of 95% for far exceeding expected performance levels. Mr. Fauré is also entitled to receive stock options under the Company s stock option plan.

On August 12, 2004, the Corporation amended the employment arrangement of the President and Chief Executive Officer. As a result, if there is a change of control of the Company, Guy Fauré will be entitled to a lump sum payment equal to two times his annual base salary if he:

(i) is terminated;

(ii) does not accept a relocation outside of the greater Montreal area;

(iii) does not accept an offer of employment at reduced levels of responsibility; or

(iv) does not accept an offer of compensation (including performance/incentive plan targets and long-term compensation) which is less than his current level.

David Goldman was Chairman and CEO of the Company until January 12, 2004 when he became the Executive Chairman of the Company. During the year ended 2003, Mr. Goldman was not paid any salary or benefits by the Corporation but rather was rewarded solely through the granting of stock options which are awarded at the discretion of the Nominating, Human Resource and Governance

Committee. This position was not considered as a full time position and therefore the level of this award was based solely on the overall achievements and performance of the Company.

The Company has a consulting agreement with David Goldman through Dave Goldman Advisors Ltd. for consulting services rendered. This Company was remunerated for services rendered on an hourly rate of CA$250. These consulting arrangements may be terminated on sixty (60) days notice by either party.

On August 12, 2004, the Company amended the employment arrangement of the Executive Chairman. As a result, if there is change of control of the Company, Dave Goldman Advisors Inc. will receive a lump sum payment equal to the greater of the past 24 months consulting payments or CA$300,000 if Mr. Goldman:

(v) is terminated;

(vi) does not accept a relocation outside of the greater Montreal area;

(vii) does not accept an offer of employment with reduced levels of responsibility; or

(viii) does not accept an offer of compensation (including performance/incentive plan targets and long-term compensation) which is less than his current level.

There are no service contracts in place between the directors of the Company and the Company or any of its subsidiaries, save and except for the agreements between the Company and Dave Goldman Advisors Ltd., pursuant to which David Goldman, the Executive Chairman of the Company, provides his services to the Company.

Following the completion of the Copernic acquisition, Martin Bouchard and Eric Bouchard became officers of the Company. Martin Bouchard, who is the Company s Executive Vice-President, Chief Strategist and Technology Officer, is paid annual salary of CA$200,000 and is also entitled to a target bonus of 50% of base salary for meeting targeted financial performance ranging from a minimum of 25% of base salary atminimal acceptable financial performance and operating results levels, to a maximum of 75% for far exceeding targeted performance levels. Similarly, Eric Bouchard, who is the Company s Vice-President-Products, is paid annual salary of CA$170,000 and is also entitled to a target bonus of 40% of base salary ranging from a minimum of 20% of base salary for meeting minimu acceptable performance levels to a maximum of 60% for far exceeding targeted performance levels. Consistent with its executive compensation practices, the Compensation Committee will also take into account the individual contributions of Martin Bouchard and Eric Bouchard to the Company s business in determining the total bonus paid to either of them

Compensation of Directors

During the fiscal year ended December 31, 2005, directors were each paid $6,250 quarterly. Effective April 1, 2005 the Chair of the Board received $12,500/annum and the Chair of the Audit Committee received a payment of $10,000/annum and the Chair of the Compensation and the Nominating, and Governance Committees receives a payment of $5,000/annum. The directors received a combined fee of $1,000 for attending board and committee meetings on the same day and members of the Audit, Compensation and Nominating and Governance committees receive a $1,000 payment if a committee meeting is held on a day other than the day of a Board meeting and, if a board or committee meetings is held via teleconference, directors received a payment of $500.

Robert Raich was a director of the Company until March 11, 2005 and is a partner of Spiegel Sohmer, a general partnership of attorneys. In 2005, Spiegel Sohmer billed the Company for the amount of $233,134 for legal services and other expenses.

Directors and Officers Insurance

The Company has purchased liability insurance covering each director and officer of the Company. The present insurance policy provides coverage for the directors, officers and the Company for liability up to $10,000,000 and expires on March 28, 2007. In addition to this coverage, a supplemental $5,000,000 policy was subscribed for directors and officers on March 28, 2006 effective for twelve months.

Indebtedness of Directors and Officers

During the most recently completed financial year, none of the directors and executive officers of the Company and none of the management nominees for election as a director nor any associate of the foregoing is, or was at any time since the beginning of the most recently completed

financial year, indebted to the Company or any of its subsidiaries.

Stock Option Plan

In 1999, the Company adopted a new stock option plan (the Plan), replacing all previous stock option plans of the Company, to provide eligible officers, directors, employees and consultants of the Company and its subsidiaries compensation opportunities that will encourage share ownership and enhance the Company s ability to attract, retain and motivate such persons and reward significant performance achievements. Options under the Plan may not be granted with a term exceeding 10 years. The exercise price of the options may not be less than the market price of the Company s common shares determined as of the date the options were granted. Unless the Board determines otherwise, options granted under the Plan are exercisable within 30 days after an optionee ceases to be employed or retained by the Company (other than for reason of cause in which event they terminate immediately, death in which event they are exercisable within 3 months and disability in which event they are exercisable within one year).

The Plan, which was approved by shareholders on June 30, 1999, and subsequently amended as approved by shareholders on June 20, 2000 and May 23, 2002, provides that the aggregate number of common shares reserved for issuance under the Plan shall not exceed 1,000,000 common shares. The granting of options is subject to the further conditions that: (i) the number of outstanding common shares of the Company reserved for options to optionees or issued to optionees within any one year period shall not exceed 15% of the outstanding common shares of the Company, and (ii) at no time may any optionee hold more than 5% of the outstanding common shares of the Company under option. The Company s Compensation Committee has recommended and the Board has approved for submission to the Company s stockholders at the 2006 Annual General Meeting of an amendment to the Stock Option Plan to increase the aggregate maximum number of shares reserved for issuance under the Plan to 1,434,080, an amount less than 10% of the Company s issued and outstanding shares of Common Stock.

The following table discloses individual grants of options to the Named Executive Officers to purchase or acquire common shares of the Company pursuant to the Plan for the financial year ended December 31, 2005.

Option Grants During the Most Recently Completed Financial Year

Names	Securities Under Options Granted (#)	% of Total Options Granted in Financial Year	Average Exercise or Base Price (U.S.$/Security)	Average Market Value of Securities Underlying Options on the Date of Grant (U.S.$/Security)	Expiration Date
David Goldman	75,000	14.3	2.28	2.28	November 8, 2010
Guy Fauré	26,500	5.0	6.28	6.28	February 15, 2012
	150,000	28.6	2.28	2.28	November 8, 2010
Daniel Bertrand	12,500	2.4	6.28	6.28	February 15, 2012
	75,000	14.3	2.28	2.28	November 8, 2010
Patrick Hopf	6,800	1.3	6.28	6.28	February 15, 2012
	40,000	7.6	2.28	2.28	November 8, 2010
Joel Lamantia	4,700	0.9	6.28	6.28	February 15, 2012
	15,000	2.9	2.28	2.28	November 8, 2010

In February 2005, David Goldman, Guy Fauré and Daniel Bertrand voluntarily surrendered their entitlement to options granted on November 2, 2004 (expiring November 2, 2009) and the options were cancelled. The following table discloses the exercise of options to purchase or acquire common shares of the Company by the Named Executive Officers during the financial year ended December 31, 2005.

Aggregate Options Exercised During the Most Recently Completed Financial Year and Financial Year-end Option Values

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (U.S. $)	Unexercised Options at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options at FY-End (U.S. $) Exercisable/ Unexercisable
David Goldman	Nil	Nil	27,000 / 92,000	3,555 / 13,500
Guy Fauré	Nil	Nil	38,667 / 199,333	3,555 / 27,000
Daniel Bertrand	Nil	Nil	18,667 / 97,833	2,370 / 13,500
Patrick Hopf	Nil	Nil	9,084 / 50,050	4,286 / 7,200
Joel Lamantia	Nil	Nil	4,750 / 21,950	1,185 / 2,700

Option and SAR Repricing

No options were repriced during the year ended December 31, 2005.

Securities Under Option to Directors and Named Executive Officers as at December 31, 2005

Names	Securities Under Options Granted (#)	Exercise or Base Price (US$/Security)	Market Value of Securities Underlying Options on the Date of Grant (US$/Security)	Expiration Date
Daniel Bertrand	10,000	2.57	2.57	4/30/2013
Daniel Bertrand	5,000	1.99	1.99	1/16/2013
Daniel Bertrand	12,500	6.28	6.28	2/15/2012
Daniel Bertrand	75,000	2.28	2.28	11/8/2010
Daniel Bertrand	14,000	3.58	3.58	11/5/2010
Guy Fauré	25,000	2.57	2.57	4/30/2013
Guy Fauré	7,500	1.99	1.99	1/16/2013
Guy Fauré	26,500	6.28	6.28	2/15/2012

Guy Fauré	150,000	2.28	2.28	11/8/2010
Guy Fauré	29,000	3.58	3.58	11/5/2010
Claude E. Forget	25,000	2.28	2.28	11/18/2010
David Goldman	7,500	2.57	2.57	4/30/2013
David Goldman	7,500	1.99	1.99	1/16/2013
David Goldman	75,000	2.28	2.28	11/8/2010
David Goldman	29,000	3.58	3.58	11/5/2010
Irwin Kramer	25,000	2.28	2.28	11/8/2010
David Schwartz	25,000	2.28	2.28	11/8/2010
Joel Lamantia	2,500	1.99	1.99	1/16/2013
Joel Lamantia	4,700	6.28	6.28	2/15/2012
Joel Lamantia	15,000	2.28	2.28	11/8/2010
Joel Lamantia	4,500	3.58	3.58	11/5/2010
Patrick Hopf	2,500	1.99	1.99	1/16/2013
Patrick Hopf	6,800	6.28	6.28	2/15/2012
Patrick Hopf	40,000	2.28	2.28	11/8/2010
Patrick Hopf	6,500	3.58	3.58	11/5/2010
Patrick Hopf	3 ,334	1.53	1.53	2/25/2009

Share Ownership

The information with respect to shares beneficially owned, controlled or directed by directors of the Company or Named Executive Officers is in each instance based upon information furnished by the person concerned. The Company s articles of incorporation provide for Common Shares as the only authorized class of shares, all of which have the same rights. Options to acquire shares held by directors or Named Executive Officers, are listed in the above table entitled *Securities Under Option to Directors and Named Executive Officers* and not included in the information below. To the knowledge of the Company, the following directors and Named Executive Officers hold the following shares of the Company as at February 28, 2006.

Director/ Named Executive Officer	Number of Company Shares Held	% of Total Number of shares Is Issued and Outstanding
Guy Fauré, President & CEO, Director Mamma.com Inc.	3,500	0.02%
Claude E. Forget, Director	30,000	0.21%
David Goldman, Executive Chairman, Director Mamma.com Inc.	75,000	0.52%
Irwin Kramer, Director	2,000	0.01%
Dr. David Schwartz, Director	7,000	0.05%
Martin Bouchard, Executive Vice-President, Chief Strategist and Technology Officer	669,706	4.67%
Daniel Bertrand, Executive Vice-President and Chief Financial Officer Mamma.com Inc.	Nil	Nil
Patrick Hopf, Vice-President-Business Development Mamma.com Inc.	Nil	Nil
Eric Bouchard, Vice-President-Products	334,853	2.33%

Employees

The following table provides a breakdown of persons employed by main category of activity for each of the past five financial years.

NUMBER OF EMPLOYEES BY CATEGORY OF ACTIVITY

YEAR	MAMMA.COM INC.	COPERNIC TECHNOLOGIES INC.	DISCONTINUED OPERATIONS (IBT AND DIGITAL ARROW)
2005	39	36	0

2004	53	-	12
2003	37	-	65
2002	43	-	79
2001	40	-	84

Pension and Retirement Benefits

The Company does not set aside nor accrue any amounts to provide pension, retirement or similar benefits. Copernic has a Structured Group Registered Retirement Savings Plan which manages the employees contribution to a maximum of 2% of their base salaries. Copernic matches the employees contribution through a Deferred Profit Sharing Plan.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

MAJOR SHAREHOLDERS

To the knowledge of the Company, no shareholder currently owns, directly or indirectly, or exercises control or direction over voting securities carrying more than 5% of the voting rights attaching to any class of voting securities of the Company, except that a group consisting of Citadel LLC, Limited Partnership, Citadel Wellington Partnership LLC, Citadel Kensington Strategies Fund Ltd., Citadel Equity Fund Ltd. Citadel Depuratives Group LLC, Citadel Credit Products Ltd., and Kenneth Griffin (collectively Citadel) filed a Form 13-G/A indicating they beneficially owned 5.1% of our Common Stock on February 13, 2005

The Company s Common Shares are widely held in the United States, Canada and Europe.

To the knowledge of the Company, the Company is not directly or indirectly owned or controlled by another corporation(s), by any foreign government or by any other natural or legal person(s), whether severally or jointly acting as a group within the meaning of the United States Securities Exchange Act of 1934, as amended. To the knowledge of the Company, there are no arrangements, which may at a subsequent date result in a change in control of the Company.

RELATED PARTY TRANSACTIONS

The Company and Dave Goldman Advisors Ltd., a company controlled by Mr. Goldman, entered into a consulting agreement pursuant to which David Goldman provides services as an Executive Chairman. Total fees for 2005 were $202,658 (2004 -$182,687; 2003 - $171,465). The transactions are in the normal course of operations and are measured at the exchange amount which is the amount of the consideration established and agreed to by the related parties.

INTEREST OF EXPERTS AND COUNSEL

Not Applicable.

ITEM 8. FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

The consolidated financial statements and other financial information of the Company are included under Item 17 of this Annual Report on Form 20-F.

LEGAL OR ARBITRATION PROCEEDINGS

See the discussions below under the headings SEC Investigation and Purported Securities Class Action Lawsuits.

POLICY ON DIVIDEND DISTRIBUTIONS

The Company has never declared or paid dividends on its shares of Common Shares. The Company currently intends to retain any earnings to support its working capital requirements and growth strategy and does not anticipate paying dividends in the foreseeable future. Payment of future dividends, if any, will be at the discretion of the Company s Board of Directors after taking into account various factors, including the

Company s financial condition, operating results, current and anticipated cash needs and plans for expansion.

SIGNIFICANT CHANGES

There have been no significant changes since the date of the annual financial statements included in this Annual Report on Form 20-F.

SEC INVESTIGATION

ITEM 9. THE OFFER AND LISTING

U.S. and German Trading Markets

The Company s Common Shares are quoted on the NASDAQ Stock Market® - Small Cap Tier under the symbol MAMA and on the Third Market Segment of the Frankfurt and Berlin stock exchanges in Germany under the symbol IYS1 . Prior to April 1999, the Company s shares were quoted under various other trading symbols. With a corporate name change taking effect in August 1996 the Company s common share trading symbol was changed to INTAF and in April 1999 the symbol was changed to INTA . On January 12, 2004, following the approval of the change of name of the Company to Mamma.com Inc. the symbol was changed to MAMA . On July 11, 2001, the Company filed articles of amendment consolidating its issued and outstanding Common Shares on the basis of one post-consolidation common share for every ten pre-consolidation Common Shares. The Company s Common Shares started trading on the NASDAQ Small Cap Market® on a consolidated basis at the opening of the markets on July 13, 2001.

The following table sets forth the price history of the Company s Common Shares reported on the NASDAQ Stock Market® and on the Third Market Segment of the Frankfurt and Berlin stock exchanges in Germany, which reflect inter-dealer prices without retail mark-ups or commissions and may not represent actual transactions. As per the Explanatory Notes to this Annual Report on Form 20-F, all prices referred to below are adjusted to take into account the July 2001 consolidation of the Company s Common Shares on the basis of 1 post-consolidation common share for every 10 pre-consolidation Common Shares.

NASDAQ Capital Market® ***Annual High and Low Market Prices 5 Years Ended December 31, 2005 (based on closing prices)***

Year	High	Low
2005	6.28	2.12
2004	15.90	3.26
2003	4.51	1.25
2002	2.70	0.92
2001	8.40	1.25

NASDAQ Capital Market® ***Quarterly High and Low Market Prices 2 Years Ended December 31, 2005 (based on closing prices)***

Quarter End	High	Low
12/31/05	2.75	2.12
9/30/05	3.27	2.61

6/30/05	3.83	2.56
03/31/05	6.28	3.11
12/31/04	7.49	5.80
09/30/04	11.82	4.64
06/30/04	15.90	10.06
03/31/04	13.68	3.26

NASDAQ Capital Market® Monthly High and Low Market Prices 6 Months Ended February 28, 2006 (based on closing prices)

Month	High	Low
Feb	2.93	2.49
Jan	3.54	2.35
Dec	2.75	2.13
Nov	2.43	2.23
Oct	2.60	2.12
Sep	3.07	2.61

Frankfurt Exchange (based on closing prices) - High and Low Market Prices 4 Years Ended December 312005 (in euros)

Year	High	Low
2005	4.80	1.77
2004	13.80	2.58
2003	4.10	1.00
2002	2.80	0.85

Frankfurt Exchange (based on closing prices) Quarterly High and Low Market Prices 2 Years Ended December 31, 2005 and Latest Quarter (in euros)

Quarter	High	Low
12/31/05	2.22	1.77
09/30/05	2.75	2.15
06/30/05	3.01	2.06
03/31/05	4.80	2.37
12/31/04	6.40	4.35
09/30/04	9.80	4.00
06/30/04	13.80	8.30
03/31/04	8.70	2.58

Frankfurt Exchange (based on closing prices) Monthly High and Low Market Prices 6 Months Ended February 28, 2006 (in euros)

Month	High	Low
February 2006	2.49	2.12
January 2006	2.65	1.93
December 2005	2.22	1.81
November 2005	2.03	1.92
October 2005	2.19	1.77
September 2005	2.40	2.15

Equity Transfer Services, Inc. of Toronto, Ontario, Canada acts as registrar and transfer agent for the Company s common shares.

ITEM 10. ADDITIONAL INFORMATION

SHARE CAPITAL

Not Applicable.

MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company was incorporated under the laws of the Province of Ontario on July 5, 1985 as Quartet Management Ltd. , and has an Ontario Corporation Number of 630609. By articles of amendment filed on March 27, 1987, the Company changed its name to Health Care Products Inc. . By articles of amendment filed on March 28, 1994, the Company changed its name to Celltech Media Inc. . By articles of amendment filed on June 21, 1995, the Company changed its name to Smartel Communications Corporation and by articles of amendment filed on July 29, 1996, the Company changed its name to Intasys Corporation . On July 11, 2001, the Company filed articles of amendment

consolidating its issued and outstanding Common Shares on the basis of one post-consolidation common share for every ten pre-consolidation Common Shares. By articles of amendment filed on January 8, 2004 the Company changed its name to Mamma.com Inc.

Section 5 of the Company s articles of incorporation indicates that there are no restrictions on the business the Company may carry on or on the powers it may exercise. Pursuant to Section 15 of the *Business Corporations Act* (Ontario) (OBCA), a corporation has the capacity and the rights, powers and privileges of a natural person.

With respect to a material contract, proposal or arrangement between the Company and one or more directors thereof or between the Company and another person of which a director of the Company is a director or in which a director has a material interest, such material contract, proposal or arrangement, as the case may be, is neither void nor voidable by reason only of that relationship or by reason only that a director with an interest in the transaction is present at or is counted to determine the presence of a quorum at a meeting of directors or committee of directors that authorized the transaction, if (i) the director disclosed his or her interest in accordance with the OBCA; (ii) the transaction was approved by the directors or the shareholders of the Company, as applicable; and (iii) it was reasonable and fair to the Company at the time it was approved. Generally, the business corporation laws of the United States vary significantly on this issue from state to state. Delaware Law accords similar treatment (a) if conditions (i) and (ii) above are satisfied or (b) if (iii), without regard to conditions (i) and (ii), is satisfied, except that any ratification by the board must be by a vote of disinterested members.

Neither the Company s articles of incorporation nor its bylaws restrict the directors from exercising any power (in the absence of an independent quorum) to approve their compensation.

The directors of the Company may from time to time, without the authorization of the shareholders:

(a) borrow money upon the credit of the Company;

(b) issue, re-issue, sell or pledge debt obligations of the Company, including without limitation, bonds, debentures, notes or other similar obligations of the Company whether secured or unsecured;

(c) subject to Section 20 of the OBCA, give a guarantee on behalf of the Company to secure performance of any present or future indebtedness, liability or obligation of any person; or

(d) charge, mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired, real or personal, moveable or immovable property of the Company, including without limitation, book debts, rights, powers, franchises and undertakings, to secure any present or future indebtedness, liabilities or other obligations of the Company.

Although most progressive U.S. state corporate codes grant similar powers to corporate boards of directors, some U.S. states still require shareholder approval of liens in substantially all of a corporation s assets.

The directors may from time to time, by resolution, delegate any or all of the powers referred to above to a director, committee of directors or one or more officers of the Company. These powers may be varied by enacting a new by-law by resolution of the directors, which by-law must then be subsequently approved at a meeting of shareholders or by shareholder resolution. U.S. state corporate laws establish no general rule concerning directors ability to delegate such duties. More progressive U.S. state corporate laws such as Delaware s General Corporation Law allow a board of directors to establish a committee of one or more directors and delegate such powers to such committee without a by-law or stockholder approval.

The Company s articles of incorporation do not contain any provisions for the retirement of directors as the result of reaching a certain age limit. The Company s by-laws contain a minimum age requirement of 18 years to be named a director.

Directors need not be shareholders of the Company.

The Company is authorized to only issue, and its share capital consists of only, Common Shares. Each common share entitles the holder to receive notice of, and to vote on the basis of one vote per common share, at all meetings of shareholders, to receive any dividend declared by the Company on the Common Shares and to receive the remaining property of the Company on its dissolution, liquidation or wind-up. The shareholders do not have the rights to share in the profits of the Company. The laws of most US states vest Common Shares with similar powers. The Company has never and does not have plans to declare any dividends.

In order to change the rights of holders of Common Shares, an amendment to the Company s articles is required. Pursuant to Section 168 of the OBCA, such an amendment can be effected at a meeting of shareholders upon agreement by a majority of the shareholders. Pursuant to Section 170, the holders of shares of a class are entitled to vote separately as a class upon a proposal to amend the articles that would have the effect of altering the rights of that class or altering the rights of that class relative to the other classes of shares. Progressive U.S. state corporate codes generally require similar procedures except that corporate laws such as New York s Business Corporation Law and Delaware s General Corporation Law permit stockholders to authorize such amendments by majority consent in writing, without a meeting, subject to certain limitations.

The annual meeting of shareholders shall be held at such time, day and place as the Board, Chairman of the Board or the President may from time to time determine, provided that an annual meeting must be called not later than 15 months after the holding of the immediately preceding annual meeting. The Board, the Chairman of the Board, the President, the Managing Director or Vice-President shall have the power to call a special meeting of shareholders at any time.

In addition, pursuant to Section 105 of the OBCA, the holders of not less than 5% of the issued shares of a corporation that carry the right to vote at a meeting sought to be held, may requisition the directors to call a meeting of shareholders for the purposes stated in the requisition. Such requisition shall state the business to be transacted at the meeting. Although there is no general rule, progressive U.S. state corporation laws provide that the by-laws shall determine stockholders rights to call stockholder meetings. The directors of a corporation shall call a meeting of shareholders upon receiving the requisition unless a meeting of shareholders has already been called or a record date has been fixed and the appropriate notice has been provided. If the directors do not, within twenty-one days after receiving the requisition, call a meeting and if the above-noted exceptions are not met, any shareholder who signed the requisition may call the meeting.

Notice of the time and place of each meeting of shareholders shall be given not less than 21 nor more than 50 days before the date of the meeting to each director and the auditor of the Company and to each shareholder who, at the close of business on the record date for notice or, if no record date for notice is fixed, at the close of business on the day proceeding the day on which notice is given, is entered in the securities register as the holder of one or more shares of the Company carrying the right to vote at the meeting. For every meeting of shareholders, the Company shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares entitled to vote at the meeting held by each shareholder.

The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditors, if any, of the Company and others who, although not entitled to vote, are entitled or required under the OBCA or the articles or by-laws of the Company to be present at the meeting. Any other person may be admitted on the invitation of the Chairman of the meeting or with the consent of the meeting.

There are no restrictions in the Company s articles or by-laws, nor under the OBCA or the provision of the Securities Act (Ontario) or Securities Act (Quebec) limiting the right to own, hold or exercise voting rights on the Company s securities. Most, if not all U.S. states have enacted some form of takeover disclosure law or business combination act requiring certain disclosures and/or limiting the right to own or vote shares acquired in certain situations including hostile business combinations.

There are no provisions in the Company s articles or by-laws that would have the effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company.

Pursuant to the Securities Act (Ontario) (the Securities Act), any shareholder holding or exercising control over more than 10% of the voting rights attached to all outstanding voting securities of a Company is considered an insider of that company and among other things is required to disclose any trades in shares of that company. Similarly, Section 16 and Rule 16(a) of the U.S. Securities Exchange Act of 1934 (1934 Act), under which the Company is registered, requires holders of 10% or more of the securities of a 1934 Act registered company to file reports disclosing ownership and transactions in that company s securities. The Company, however, currently is deemed a foreign private issuer and is exempt from these provisions. Section 101 of the Securities Act requires that any person who

acquires beneficial ownership of, or the power to exercise control over, a total of 10% or more of a company s voting or equity securities in any class shall issue a news release and file a report containing the particulars and purpose behind the acquisition. Further reports must be issued every time such person acquires an additional 2% or more of the company s voting or equity securities, or there is a change in any of the material facts disclosed in the former report. Similarly, Section 13(d) and Regulation 13D of the 1934 Act requires any person who acquires beneficial ownership or more than 5% of an equity security of any company registered under the 1934 Act to file a report disclosing the particulars and purpose behind the acquisition. Amendments must be filed to this report every time such person acquires or disposes of 1% or more of the equity security or there is some other material change in the report on file. In addition, Section 14(d) and Regulation 14D of the 1934 Act imposes certain filing and disclosure requirements on persons making tender offers for equity securities of a 1934 Act registered company.

The articles of incorporation and by-laws of the Company do not contain any conditions governing changes in the Company s capital that are more stringent than the applicable law.

MATERIAL CONTRACTS

The Company has not entered into any material contracts during the last two fiscal years other than in the ordinary course of business and other than those described in Item 4 - Information on the Company or elsewhere in this Annual Report on Form 20-F.

EXCHANGE CONTROLS

There is no Canadian law, government decree or regulation that restricts the export or import of capital or that affects the remittance of dividends, interest or other payments to a non-resident holder of Common Shares other than withholding tax requirements.

There is no limitation imposed by Canadian law or by the articles or other charter documents of the Company on the right of a non-resident to hold or vote Common Shares, other than as provided in the Investment Canada Act, as amended (the Investment Act). The Investment Act generally prohibits implementation of a reviewable investment by an individual, government or agency thereof, corporation, partnership, trust, joint venture or other entity that is not a Canadian, as defined in the Investment Act (a non-Canadian), unless, after review, the Minister responsible for the Investment Act is satisfied that the investment is likely to be of net benefit to Canada based on the criteria set out in the Investment Act. Investment in Common Shares of the Company (or other voting shares) by a non-Canadian (other than a WTO investor, as defined below) would be reviewable under the Investment Act if it constitutes an acquisition of control of the Company, and the value of the assets of the Company were $5,000,000 Canadian or more. Such an investment in Common Shares of the Company by a WTO investor would be reviewable under the Investment Act if the value of the assets of the Company equalled or exceeded $223,000,000 Canadian for investments made in 2003. The Investment Act contains rules to determine if an investment constitutes an acquisition of control of a particular entity. For example, any non-Canadian, whether a WTO investor or otherwise, would

acquire control of the Company for purposes of the Investment Act if such non-Canadian acquired a majority of the Common Shares of the Company. The acquisition of less than a majority but at least one-third of the Common shares of the Company is presumed to be an acquisition of control of the Company, unless it could be established that on the acquisition the Company was not controlled in fact by the acquirer through the ownership of Common Shares. In general, an individual is a WTO Investor if such individual is a national of a country (other than Canada) that is a member of the World Trade Organization (WTO Member) or has a right of permanent residence in relation to that WTO Member. A corporation or other entity is a WTO investor if it is a WTO Investor-controlled entity pursuant to detailed rules set out in the Investment Act.

Certain transactions involving Common Shares of the Company would be exempt from the Investment Act, including, without limitation: (a) an acquisition of Common Shares of the Company if the acquisition were made in connection with the person s business as a trader or dealer in securities; (b) an acquisition of control of the Company s business in connection with the realization of a security interest granted for a loan or other financial assistance and not for any purpose related to the provisions of the Investment Act; and (c) an acquisition of control of the Company s business by reason of an amalgamation, merger, consolidation or corporate reorganization, following which the ultimate direct or indirect control in fact of the Company, through the ownership of voting interests (as defined in the Investment Act), remains unchanged.

TAXATION

The following is a summary of certain income tax provisions applicable to United States corporations, citizens and resident alien individuals who purchase Common Shares and who will hold such shares as capital property for the purpose of the Income Tax Act (Canada) (the ITA). This discussion does not purport to deal with all relevant aspects of U.S. or Canadian taxation. Shareholders are advised to consult their own tax advisors regarding the United States income tax consequences of holding and disposing of the Common Shares as well as any consequences arising under state and local tax laws or the tax laws of jurisdictions outside the United States. The summary is based on the assumption that, for Canadian tax purposes and at all relevant times, a holder of Common Shares (a) is neither resident nor deemed to be resident in Canada, but is resident in the United States for the purposes of the Canada United States Income Tax Convention (1980) (the Treaty); (b) deals at arm s length with Mamma and is not affiliated with Mamma; (c) does not use or hold and is not deemed to use or hold the Common Shares in the course of carrying on a business in Canada; and (d) is not an insurer or a financial institution .

For United States federal income tax purposes, a United States corporation, citizen or resident alien generally will realize, to the extent of the Company s current or accumulated earnings and profits, taxable ordinary income on the receipt of cash dividends on the Common Shares equal to the gross amount of such dividends without reduction for any Canadian withholding tax. Subject to certain limitations, such withholding tax generally may be credited, against the holder s United States federal income tax liability or, alternatively, may be deducted in computing the holder s United States federal taxable income. Dividends paid on the Common Shares will not be eligible for the dividends received deduction, available under certain circumstances to United States corporations.

Dividends paid on Common Shares will be subject to Canadian non-resident withholding tax, which is generally applicable to dividends paid by a corporation resident in Canada to a resident of the United States. Under the terms of the Treaty, non-resident withholding tax is generally levied at a rate of 15%. If, however, the beneficial owner of the dividends is a company resident in the United States for the purposes of the Treaty that owns at least 10% of the voting stock of the Company paying the dividends, the rate of withholding tax under the Treaty is further reduced to 5%.

A holder may be subject to Canadian income tax in respect of any capital gains realized on a disposition or deemed disposition of Common Shares. However, a holder will be exempt from Canadian tax on a capital gain realized on an actual or deemed disposition of Common Shares unless the Common Shares are taxable Canadian property (as defined in the ITA) to the holder at the time of the disposition. Provided the Common Shares are listed on a prescribed stock exchange for the purposes of the ITA (the National Association of Securities Dealers Automated Quotation System is a prescribed exchange under the Regulations to the ITA, the Common Shares will not be taxable Canadian property to a holder, unless the holder, persons with whom the holder did not deal at arm s length for the purposes of the ITA or the holder together with such persons owned or had interests in or options in respect of 25% or more of the shares of any class or series of the capital stock of the Company at any time during the 60-month period immediately preceding the disposition or deemed disposition of the Common Shares. The Common Shares may be deemed to be taxable Canadian property where the holder acquired them in certain circumstances, including upon the disposition of other taxable Canadian property . In the event that the Common Shares do constitute taxable Canadian property , any capital gain realized on their disposition by a holder may be exempt from Canadian tax pursuant to the provisions of the Treaty. Holders of Common Shares must consult their own tax advisers to determine if any such Canadian income tax must be paid.

For United States federal income tax purposes, upon a sale or exchange of a common share, a holder will recognize gain or loss equal to the difference between the amount realized on such sale or exchange and the holder s tax basis in such common share. For non-corporate taxpayers, the maximum tax rates imposed are 15% on net capital gains and 35% on ordinary income. US capital gains may result in additional taxes by application of the Alternative Minimum Tax. As a taxpayer s income rises, US federal income tax law phases-out US personal exemptions and increasingly limits the availability of itemized deductions which may increase the effective tax rates. The deduction of net capital losses against ordinary income currently is severely limited under US federal income tax law. Holders of Common Shares must consult their own tax advisers to determine the effect of federal, state and local income taxes upon a sale or exchange of Common Shares.

DOCUMENTS ON DISPLAY

Documents concerning the Company which are referred to in the document and otherwise available for public inspection may be inspected at the executive offices of the Company as well as the executive or operating offices of the Company s operating subsidiaries. Any request for inspection must be made in writing addressed to the Company s executive offices to the attention of Mr. Daniel Bertrand, Executive Vice-President and Chief Financial Officer. Such request must explicitly identify the person

making the request, the documents pertaining to the request as well as the date and time that the person making such request desires to inspect such documents. The Company reserves all rights to refuse or limit a request.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

CURRENCY RISK

The Company has employees located in Canada and the United States where the local currency is used. No forward exchange contracts are used to sell currencies at fixed forward rates.

INTEREST RATE RISK

The Company has short term investments and temporary investments bearing average interest rates between 4.06% and 4.12%. No other financial instruments are used.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

(a) ***EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Executive Chairman, our President and Chief Executive Officer, and our Executive Vice-President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management s control objectives.

We have carried out an evaluation, under the supervision and with the participation of our management, including our Executive Chairman, our President and Chief Executive Officer, and our Executive Vice-President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Annual Report on Form 20-F.

Based upon that evaluation, the President and Chief Executive Officer and our Executive Vice-President and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2005 at the reasonable assurance level.

[Paragraph omitted pursuant to SEC Release Nos. 33-8545 and 34-51293]

(b) ***CHANGES IN INTERNAL CONTROLS.***

During the year ended December 31, 2005, the Company has improved internal controls over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Company s board of directors has determined that a member of its Audit Committee, Mr. Irwin Kramer, an independent director, is an Audit Committee financial expert as defined in Item 16A of Form 20-F.

ITEM 16B. CODE OF ETHICS

The Company s board of directors has adopted a Code of Ethics that applies to all of the Company s employees, including the Executive Chairman, Chief Executive Officer, Chief Financial Officer, principal accounting officer and persons performing similar functions. A copy of the Company s Code of Ethics is attached as Exhibit II to this report on Form 20-F.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

RSM Richter LLP has served as the Company s independent public accountants to audit our financial statements for the fiscal years ended December 31, 2005 and 2004. PricewaterhouseCoopers LLP served as the Company s independent public accountants to audit our financial statements for the fiscal year ended December 31, 2003, for which audited financial statements appear in this annual report on Form 20-F. The auditors are elected annually by the Company s shareholders at the Annual General Meeting. In February 2005, PricewaterhouseCoopers LLP notified the Company that it would not act as the Company s independent auditor during 2005 in connection with preparation of the Company s 2004 audited financial statements. In March 2005 the Company s Audit Committee engaged RSM Richter LLP to audit the Company s financial statements for the 2004 fiscal year.

The following table presents the aggregate fees for professional services and other services rendered by RSM Richter LLP in 2005.

	2005
Audit Fees[(1)]	$351,516
Audit Related Fees[(2)]	$81,905
Tax Fees[(3)]	--
TOTAL:	$433,421

These fees are subject to a pre-approval policy.

(1) Audit Fees consist of fees billed for the annual audit services engagement and other audit services, which are those services that only the external auditor reasonably can provide, and include the audit of its financial statements; comfort letters and consents; attest services; and services associated with the filing of documents with the SEC.

(2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company s financial statements or that are traditionally performed by the external auditor, and include consultations concerning financial accounting and reporting standards; due diligence related to acquisitions.

(3) Tax Fees include fees billed for tax compliance services, advice on original and amended tax returns and claims for refund, tax consultations (such as assistance in connection with tax audits and appeals), tax advice related to mergers and acquisitions, transfer pricing, tax planning services and expatriate tax planning and services.

PROCEDURES FOR APPROVAL OF AUDIT AND NON-AUDIT SERVICES BY THE EXTERNAL AUDITORS

I. Audit Committee Pre-Approval of Services

In accordance with the requirements of securities regulations to which the Company is subject and to safeguard the continued independence of its external auditors, all audit and non-audit services to be rendered by the Company s external auditors and any related entities (the Auditors) to the Company, its subsidiaries and any material related companies over which the Company exercises significant influence must be the subject of pre-approval by the Audit Committee of the Board.

Such pre-approval shall be based on the following detailed policies and procedures established by the Audit Committee.

II. Services that the Auditors may not Provide

The Auditors may not act in any capacity where they could reasonably be seen to:

- function in the role of the Company s management;
- audit their own work; or
- serve in an advocacy role on behalf of the Company

Except as otherwise permitted and pre-approved hereby, the Auditors will not be asked to provide any services in the following areas (in each case as more fully defined in applicable corporate and securities regulations or the regulations and guidelines of the appropriate oversight authorities governing the accounting and auditing profession):

1. Bookkeeping and related functions;

2. Financial information systems design and implementation;

3. Appraisal, valuation, fairness opinions or contribution-in-kind reports;

4. Actuarial services;

5. Internal audit outsourcing;

6. Management functions and human resources functions;

7. Broker-dealer, investment advisor or investment banking services;

8. Legal services; and

9. Expert services.

10. Management consulting services

III. Pre-Approval of a Range of Services

The engagement for the annual audit of the Company s consolidated financial statements is specifically approved on an annual basis by the execution of the audit engagement letter with the Auditors. Subject to paragraph IV below, engagements of the Auditors involving services for any of the Company s entities that fall into the following service definitions are pre-approved by the Audit Committee.

Type of Service	Description
Audit Services	

Financial statement audit	Recurring audit of consolidated financial statements including subsidiary company and statutory audits and tax services and accounting consultations required to perform an audit in accordance with Generally Accepted Auditing Standards.
Regulatory financial filings	Services relating to 1933 and 1934 filings with the SEC including issuance of comfort letters. Statutory and regulatory filings including prospectuses and registration statements.
404 attestation services	Attestation services relating to the report on the entity s

Type of Service	Description
	internal controls as specified in Section 404 of the Sarbanes-Oxley Act and any similar requirements that may be introduced under Canadian legislation/regulations.
Audit Related Services	
Employee benefit plan audits	Audit of pension and other employee benefit plans and funds.
Financial due diligence in connection with acquisitions and divestitures	Assistance in financial and tax due diligence, including review of financial statements, financial data and records, tax returns, tax forms and tax filings, discussion with target s finance and accounting personnel. Accounting consultation and audits in connection with acquisitions and divestitures.
Other attest services	Attest services that are not required by statute or regulation. Quarterly reviews.
Application and general control reviews	Review of IT and general controls related to specific applications, including overall general computer controls, excluding those that are a part of the financial statement audit.
Consultation regarding GAAP	Discussions, review and testing of impact of new pronouncements, acquisition accounting, and other GAAP topics.
Tax Services	

Tax compliance	Preparation and/or review of income, capital, sales, use, property, excise, local, value added (VAT) and GST tax returns, filings and forms. Consultation regarding handling of items for tax returns, required disclosures, elections, and filing positions available.
Tax consulting	Assistance with tax audits, examinations or requests for information. Responding to requests regarding technical interpretations, applicable laws and regulations, and tax accounting. Tax advice on mergers, acquisitions, restructurings, financings, inter-company transactions, foreign tax credits, foreign income tax, tax accounting, foreign earnings and profits, capital tax, sales tax, use tax, property tax, the treatment in any jurisdiction of foreign subsidiary income, VAT, GST, excise tax or equivalent taxes in the jurisdiction. Assistance with tax appeals that are not in front of a tax court or its equivalent. Advice regarding tax legislation or codes including interpretations, procedures and advance tax rulings or private letter rulings thereof, or their equivalent, in

Type of Service	Description
	applicable jurisdictions in the following areas: income, capital, sales, use, property, excise, local, value added (VAT) and GST taxes.
Transfer pricing	Advice and assistance with respect to transfer pricing matters, including preparation of reports used by the company to comply with taxing authority documentation requirements regarding royalties, services and inter-company pricing and assistance with tax exemptions.
Customs and duties	Compliance reviews and advice on compliance in the areas of tariffs and classification, origin, pricing, and documentation. Assistance with customs audits or requests for information.
Expatriate tax services	Preparation of individual income tax returns, advice on impact of changes in local tax laws and consequences of changes in compensation programs or practices. Compliance and advice in relation to benefits and compensation, stock options, and tax equalization policies.
Other Services	

Valuation	Valuation services for non-financial reporting in connection with tax-only valuations and valuation services to review and comment on tax-related valuations prepared by the Company or third parties.
Other	Fact finding services and forensic investigations under the supervision of the audit committee; environmental audits; non-financial systems design and implementation.

IV. Limits on the Pre-Approval of a Range of Services

In the case of proposed engagements of the Auditors involving any of the services covered under the range of services under paragraph III where the fees for a particular engagement are expected to exceed a total of CDN $5,000, specific pre-approval must be obtained therefore under the provisions of paragraph V hereof.

The general pre-approval of the range of services covered under paragraph III will be brought to the Audit Committee for review and, if thought appropriate, renewal on an annual basis.

In respect of services under paragraph III where the fees for a particular engagement are expected to be less than or equal to a total of CDN $5,000, the Chairman of the Audit Committee shall be notified expeditiously of any such services commenced by the Auditors.

In the event that services under paragraph III are commenced by the Auditors where the fees for a particular engagement were expected to be less than or equal to a total of CDN $5,000, specific pre-approval must be obtained therefore under the provisions of paragraph V hereof if such fees are later expected to exceed a total of CDN $5,000.

V. Pre-Approval of Individual Services

The Company s management and/or the Auditors may seek pre-approval by the Audit Committee of the engagement of the Auditors to provide particular services in certain cases.

Where particular pre-approval is required, the Audit Committee has delegated the authority to effect such pre-approval to the Chairman of the Committee.

Under no circumstances may the Audit Committee delegate its responsibilities to Company management.

For greater certainty, if an engagement with the Auditors for a particular service is contemplated that is neither forbidden under paragraph II hereof, nor covered under the range of services under paragraph III hereof, in order for such engagement to proceed it must be the subject of individual pre-approval under this paragraph.

It is the responsibility of management to determine whether a particular service is covered by the pre-approved range of services. Management should seek the guidance of the audit committee chair where there is any ambiguity about whether a particular service is pre-approved.

VI. Engagement Letters

Pre-approved non-audit services shall be provided by the Auditors pursuant to an engagement letter with the appropriate Company entity that satisfies each of the following requirements:

1. the engagement letter shall be in writing and signed by the Auditors; and

2. the engagement letter shall set out the particular non-audit services to be provided by the Auditors which, unless individually pre-approved, shall be within the categories of pre-approved non-audit services described in paragraph III hereof.

VII. Reports of Services to the Audit Committee

At every regularly-scheduled meeting of the Audit Committee, management shall report on all new pre-approved engagements of the Auditors since the last such report. The Auditors may comment on the report if they wish to do so. All engagement letters entered into pursuant hereto shall be made available to the Audit Committee upon demand.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The table below sets forth the information with respect to purchases made by or on behalf of Mamma or any affiliated purchase , as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, of Mamma s Common Shares for the year ended December 31, 2005.

On September 7, 2004, the Company filed a Notice of Intention with the Ontario Securities Commission to Make a Normal Course Issuer Bid (the Notice). In the Notice, the Company stated its intention to purchase on the open market at prevailing market prices, through the facilities of the NASDAQ stock market, up to a maximum of 600,000 of its common shares, being approximately 5% of the outstanding common shares. The Company may purchase common shares at any time and from time to time until September 7, 2005. The common shares will be purchased for cancellation. During the period from June 8 to June 20, 2005, the Company redeemed 304,665 of its common shares at a weighted average purchase price of $3.46, for a total amount of $1,053,155. The $1,195,147 excess of stated capital value over the redemption amount has been credited to additional paid-in capital. The normal course issuer bid terminated September 7, 2005 in accordance with the Notice.

				Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs*	Maximum number of Shares that May Yet Be Purchased Under the Plans or Programs
January	1/1/05	-	1/31/05				N/A
February	2/1/05	-	2/28/05				
March	3/1/05	-	3/31/05				
April	4/1/05	-	4/30/05				
May	5/1/05	-	5/31/05				
June	6/1/05	-	6/30/05	304,665	3.46	304,665	
July	7/1/05	-	7/31/05				
August	8/1/05	-	8/31/05				
September	9/1/05	-	9/30/05				
October	10/1/05	-	10/31/05				
November	11/1/05	-	11/31/05				
December	12/1/05	-	12/31/05				
Total				304,665	3.46	304,665	N/A

**The total number of shares purchased were purchased through the Company s Normal Course Issuer Bid. See Item 5 Normal Course Issuer Bid.*

ITEM 17. FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP). There are certain measurement differences between Canadian GAAP and U.S. GAAP. Differences which relate to the Company are summarized in note 26 to our consolidated financial statements.

RSM Richter S.E.N.C.R.L./LLP
Comptables agréés
Chartered Accountants

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Independent Registered Public Accounting Firms Reports

To the Shareholders and Board of Directors of Mamma.com Inc.

We have audited the accompanying consolidated balance sheets of Mamma.com Inc. as at December 31, 2005 and 2004 and the related consolidated statements of operations, shareholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Montreal, Canada

March 15, 2006, except for note 27 which is dated March 28, 2006

RSM Richter S.E.N.C.R.L. est un cabinet indépendant membre de RSM International, association de cabinets indépendants d'expertise comptable et de services conseils.

RSM Richter LLP is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

Mamma.com Inc

Consolidated Balance Sheets

As at December 31, 2005 and 2004

(Expressed in U.S. dollars)	**2005**	**2004**
	$	**$**
Assets		
Current assets		
Cash and cash equivalents	4,501,201	20,609,089
Restricted cash (note 5)	-	148,000
Temporary investments (note 7)	4,013,312	6,874,155
Accounts receivable (note 8)	2,623,940	2,502,535
Income taxes receivable	606,226	120,590
Prepaid expenses	295,288	129,390
Future income taxes (note 20)	33,505	-
Current assets of discontinued operations (note 5)	9,694	274,770
	12,083,166	30,658,529
Future income taxes (note 20)	13,483	-
Income tax credit	54,912	-
Assets of discontinued operations (note 5)	-	1,882,857
Investments (note 9)	720,000	720,000
Property, plant and equipment (note 10)	598,758	304,624
Intangible assets (note 11)	8,601,848	753,778
Goodwill (note 11)	16,255,031	846,310
	38,327,198	35,166,098
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	2,690,943	2,244,958
Deferred revenue	249,953	233,459
Income tax payable	8,062	-
Liabilities of discontinued operations (note 5)	189,223	652,109
	3,138,181	3,130,526
Future income taxes (note 20)	2,672,036	-
Contingencies and commitments (note 24)		
Shareholders Equity		
Capital stock (note 13)		
Authorized		
Unlimited common shares, no par value		
Issued and outstanding		
14,340,864 common shares (2004-12,263,029)	95,298,234	90,496,088
Additional paid-in capital (note 14)	5,985,077	5,255,249

Deferred stock-based compensation (note 14)	(735,175)	(1,333,443)
Cumulative translation adjustment	370,369	360,884
Accumulated deficit	(68,401,524)	(62,743,206)
	32,516,981	32,035,572
	38,327,198	35,166,098

See accompanying notes.

Approved by the Board of Directors

/s/ David Goldman
David Goldman, Executive Chairman of the Board

/s/ Irwin Kramer
Irwin Kramer, Director and Chair of the Audit Committee

Mamma.com Inc

Consolidated Statements of Operations
For the years ended December 31

(Expressed in U.S. dollars)	**2005**	**2004**	**2003**
	$	**$**	**$**
Revenues (note 16)	9,464,560	14,636,318	8,938,863
Cost of revenues (note 17)	4,204,030	6,539,213	3,991,265
Gross Margin	5,260,530	8,097,105	4,947,598
Expenses			
Marketing, sales and services	2,023,925	2,188,488	1,600,643
General and administration	5,692,092	3,567,247	2,255,099
Product development and technical support (note 21)	1,286,345	891,541	599,383
Amortization of property, plant and equipment	106,788	133,123	140,090
Amortization of intangible assets	242,031	191,218	178,509
Realized gain on disposal of investment (note 9)	-	-	(32,499)
Write-down of investment (note 9)	-	365,286	-
Interest and other income	(768,738)	(233,506)	(15,869)
Loss on foreign exchange	47,080	68,275	210,888

	8,629,523	7,171,672	4,936,244
Earnings (loss) from continuing operations before income taxes	(3,368,993)	925,433	11,354
Provision for (recovery of) income taxes (note 20)	(26,010)	554,680	(77,636)
Earnings (loss) from continuing operations	(3,342,983)	370,753	88,990
Results of discontinued operations, net of income taxes (note 5)	(2,315,335)	733,654	(300,053)
Net earnings (loss) for the year	(5,658,318)	1,104,407	(211,063)
Basic and diluted earnings (loss) per share from continuing operations		0.03	0.01
Basic and diluted earnings (loss) per share from discontinued operations	(0.19)	0.07	(0.04)
Basic and diluted net earnings (loss) per share	(0.46)	0.10	(0.03)

See accompanying notes.

Mamma.com Inc

Consolidated Statements of Shareholders Equity

For the years ended December 31, 2005, 2004 and 2003

(Expressed in U.S. dollars)	**Number of common shares**	**Common shares $**	**Additional paid-in capital $**	**Deferred stock-based compensation $**	**Cumulative translation adjustment $**	**Accumulated deficit $**
Balance, December 31, 2002	6,094,842	69,873,994	750,111	(10,667)	(275,693)	(63,636,550)
Effect of changes on shares and warrants issued for financial services	-	6,333	-	10,667	-	-
Warrants issued for financial services	-	-	84,566	-	-	-
Options granted	-	-	388,391	(376,171)	-	-
Amortization of deferred stock-based						

compensation	-	-	-	113,365	-	-
Options exercised	129,678	185,887	(12,220)	-	-	-
Warrants exercised	284,090	455,965	(44,034)	-	-	-
Translation adjustment for the year	-	-	-	-	717,257	-
Net loss for the year	-	-	-	-	-	(211,063)
Balance, December 31, 2003	6,508,610	70,522,179	1,166,814	(262,806)	441,564	(63,847,613)
Warrants issued for financial services	-	-	260,301	-	-	-
Options granted	-	-	1,378,787	(1,378,787)	-	-
Amortization of deferred stock-based compensation	-	-	-	301,944	-	-
Options exercised	255,561	483,593	(82,127)	-	-	-
Warrants exercised	3,892,878	6,430,500	(671,687)	-	-	-
Forfeited options	-	-	(18,967)	6,206	-	-
Shares issued for acquisition of Digital Arrow	90,000	740,782	-	-	-	-
Shares and warrants issued on private placement	1,515,980	13,158,329	3,441,652	-	-	-
Share issue cost	-	(839,295)	(219,524)	-	-	-
Translation adjustment for the year	-	-	-	-	(80,680)	-
Net earnings for the year	-	-	-	-	-	1,104,407
Balance, December 31, 2004	12,263,029	90,496,088	5,255,249	(1,333,443)	360,884	(62,743,206)
Redemption of common shares (note 13)	(304,665)	(2,248,302)	1,195,147	-	-	-
Options granted	-	-	994,908	(994,908)	-	-
Options exercised	2,500	10,408	(3,984)	-	-	-
Amortization of deferred stock-based compensation	-	-	-	136,933	-	-
Options forfeited	-	-	(1,456,243)	1,456,243	-	-
Shares issued for acquisition of Copernic (note 6)	2,380,000	7,040,040	-	-	-	-
Translation adjustment for the year	-	-	-	-	9,485	-
Net loss for the year	-	-	-	-	-	(5,658,318)
Balance, December 31, 2005	14,340,864	95,298,234	5,985,077	(735,175)	370,369	(68,401,524)

See accompanying notes.

Consolidated Statements of Cash Flows
For the years ended December 31

(Expressed in U.S. dollars)	**2005**	**2004**	**2003**
	$	**$**	**$**
Cash flows from (used for)			
Operating activities			
Earnings (loss) from continuing operations	(3,342,983)	370,753	88,990
Adjustments for			
Amortization of property, plant and equipment	106,788	133,123	140,090
Amortization of intangible assets	242,031	191,218	178,509
Realized gain on disposal of property, plant and equipment	-	-	(455)
Realized gain on disposal of investment (note 9)	-	-	(32,499)
Employee stock-based compensation	136,933	281,367	94,654
Former Board member compensation paid by issuance of capital stock	-	-	12,220
Write-down of investment (note 9)	-	365,286	-
Financial fees paid by issuance of capital stock and warrants	-	260,301	101,566
Future income taxes	(13,964)	400,855	(77,636)
Income tax credits	-	81,505	(77,925)
Unrealized loss on foreign exchange	-	14,622	-
Net change in non-cash working capital items (note 19)	1,420,013	(302,567)	(969,323)
Cash from (used for) operating activities from continuing operations	(1,451,182)	1,796,463	(541,809)
Cash from (used for) operating activities from discontinued operations	(630,288)	(790,370)	479,852
	(2,081,470)	1,006,093	(61,957)
Investing activities			
Business acquisitions (note 6)	(15,851,922)	-	-
Purchase of intangible assets	(54,943)	(9,434)	(3,026)
Purchase of property, plant and equipment	(85,687)	(70,284)	(47,432)
Net decrease (increase) in temporary investments	2,860,843	(6,850,979)	(6,217)
Proceeds on disposal of investments	-	-	32,499
Proceeds on disposal of property, plant and equipment	-	-	1,199
Cash used for investing activities from continuing operations	(13,131,709)	(6,930,697)	(22,977)
Cash from (used for) investing activities from discontinued operations	-	434,975	(72,190)
	(13,131,709)	(6,495,722)	(95,167)
Financing activities			
Issuance of capital stock	6,424	22,760,261	585,598
Share issue costs	-	(1,058,819)	-
Redemption of common shares	(1,053,155)	-	-

	(1,046,731)	21,701,442	585,598
Effect of foreign exchange rate changes on cash and cash equivalents	4,022	79,375	250,063
Net change in cash and cash equivalents and restricted cash during the year	(16,255,888)	16,291,188	678,537
Cash and cash equivalents Beginning of year	20,757,089	4,465,901	3,787,364
Cash and cash equivalents and restricted cash End of year	4,501,201	20,757,089	4,465,901
Cash and cash equivalents comprise:			
Cash	4,501,201	1,565,600	2,265,000
Short-term investments	-	19,043,489	2,200,901
	4,501,201	20,609,089	4,465,901
Restricted cash	-	148,000	-
	4,501,201	20,757,089	4,465,901
Supplemental cash flow information			
Cash paid for interest	16,097	673	328
Cash paid for income taxes	17,189	288,147	-

See accompanying notes.

1 Nature of business

Mamma.com Inc. is a provider of search technology for both the Web and desktop space, delivered through its properties, www.mamma.com and www.copernic.com, respectively. The Company, through its Mamma Media Solutions brand, is also a provider of online marketing solutions to advertisers, providing keyword and graphic ad placement on its publisher network.

Mamma.com The Mother of All Search Engines® is a metasearch engine for the Internet; it makes it easier and faster for people to find information by gathering results from the Internet.

Through its Copernic Desktop Search product, Copernic Technologies Inc. (Copernic) develops cutting edge search solutions bringing the power of a sophisticated, yet easy-to-use search engine right to the user s PC. It allows for instant searching of files, emails, and email attachments stored anywhere on a PC hard drive.

2 Significant accounting policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP). There are certain measurement differences between Canadian GAAP and United States generally accepted accounting principles (U.S. GAAP). Differences which relate to the Company are summarized in note 26.

a) Basis of presentation

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All intercompany balances and transactions have been eliminated on consolidation.

b) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates in these financial statements include the allowance for doubtful accounts, recovery of future income taxes, goodwill and annual goodwill impairment test, useful lives and impairment of long-lived assets, stock-based compensation costs, valuation of investments, determination of the fair value of the intangible assets on recent acquisitions, determination of the fair value of the warrants issued on the private placement and the resulting impact on the allocation of the proceeds between the shares and warrants. Actual results could differ from those estimates.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances available, and highly liquid investments with an initial term of three months or less that are stated at cost, which approximates market value.

d) Temporary investments

Temporary investments are valued at the lower of cost and market value.

e) Income tax credits

Income tax credits are accounted for using the cost reduction method. Under this method, tax credits relating to eligible expenditures are deducted from the cost of the related assets or included in the consolidated statements of operations as a reduction of the related expenses. Tax credits are recorded in the year in which the expenditures are incurred provided there is reasonable assurance of realization.

f) Investments

The Company has investments in equity instruments of privately-held companies. These investments are generally accounted for under the cost method, as the Company does not have the ability to exercise significant influence over operations. The Company records an investment impairment charge when it believes an investment has experienced a decline in value that is judged to be other than temporary. The Company monitors its investments for impairment by considering current factors including economic environment, market conditions and operational performance and other specific factors relating to the business underlying the investment, and records reductions in carrying values when necessary. The fair value for privately held securities is estimated using the best available information as of the valuation date, including the quoted market prices of comparable public companies, recent financing rounds of the investee and other investee specific information.

g) Property, plant and equipment

Property, plant and equipment are recorded at cost, less applicable tax credits and accumulated amortization. Amortization is calculated using the following methods and annual rates or period:

Computer equipment	Declining balance	30%
Furniture and fixtures	Declining balance	20%
Leasehold improvements	Straight-line	Duration of lease

h) Intangible assets

Intangible assets with finite useful lives are recorded at cost less accumulated amortization. The Company provides for the amortization of intangible assets over their estimated useful lives using the straight-line method at the following annual rates:

Trade names	14%	to	25%
Technology	20%	to	25%
Customer relationships	10%	to	33%
Software and patents	25%		

i) Goodwill

Goodwill represents the excess of purchase price of businesses acquired over the fair value of the underlying net identifiable assets acquired. Goodwill related to business combinations is not amortized.

Goodwill is evaluated for impairment annually, or when events or changed circumstances indicate impairment may have occurred. In connection with the goodwill impairment test, if the carrying value of the Company s reporting unit to which goodwill relates exceeds its estimated fair value, the goodwill related to that reporting unit is tested for

impairment. If the carrying value of such goodwill is determined to be in excess of its fair value, an impairment loss is recognized in the amount of the excess of the carrying value over the fair value.

j) Impairment of long-lived assets

The Company assesses the carrying value of its long-lived assets, which include property, plant and equipment and intangible assets, for future recoverability when events or changed circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized if the carrying value of a long-lived asset exceeds the sum of its estimated undiscounted future cash flows expected from its use. The amount of impairment loss, if any, is determined as the excess of the carrying value of the assets over their fair value.

k) Revenue recognition

The Company recognizes revenue from search advertising, graphic advertising services, sale of software and support services when the following criteria are satisfied:

i) persuasive evidence of an arrangement exists;

ii) service is performed;

iii) the fee is fixed or determinable;

iv) collectibility is reasonably assured.

Search service revenue is generated as users click on an advertiser s sponsored link, giving rise to direct revenue or a revenue share if the paid placement was provided by a third party provider (partner). Advertisers buy key words, and when these key words are searched by a user, the advertiser s website will be listed in a premium position in the search results. Advertisers are charged on a pay-per-click basis. Revenue from such clicks is recognized as the clicks occur, provided the above criteria are met.

Graphic advertising revenue is generated from advertising delivered on a Web page, at an agreed rate per thousand impressions delivered, or based on user clicks on displayed advertising graphic advertisement. Advertising includes different size banners, pop-ups and rich media which are targeted through the Company s network of publishers (members). The publisher network consists of small to medium size websites that subscribe to the Company s service through an on-line contract. Revenue from advertising arrangements is recognized as the impressions are delivered or as clicks on displayed graphic advertisement occur, provided the above criteria are met and that no significant Company obligations or commitments relating to a minimum number of impressions remain.

The majority of arrangements for all types of revenue have terms of less than one year and may be terminated at any time by the advertiser. In accordance with Emerging Issues Committee 123 Reporting Revenue Gross as a Principal versus Net as an Agent , search and graphic advertising derived from arrangements that involve services supplied by partners and members respectively is reported gross of the payment to them. This revenue is reported gross due to the fact that the Company is the primary obligor to the advertisers who are customers of the advertising service.

Support revenue is recognized on a straight-line basis over the term of the agreements.

Deferred revenue is recorded when payments are received in advance of the Company s performance in the underlying agreement on the accompanying consolidated balance sheets.

l) Research and development costs

Research costs are expensed as incurred. Development costs are also expensed as incurred unless such costs meet the criteria under generally accepted accounting principles for deferral and amortization. To qualify for deferral, the costs must relate to a technically feasible, identifiable product which the Company intends to produce and market, there must be a clearly defined market for the product, and the Company must have the resources, or access to the resources, necessary to complete the development. The Company has not deferred any such development costs during the years ended December 31, 2005 and 2004.

m) Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based upon available information, it is more likely than not that some or all of the future income tax assets will not be realized.

n) Foreign currency translation

The functional and reporting currency of the Company is the U.S. dollar. The functional currency of the Company s subsidiaries is the local currency. Accordingly, the financial statements of the Company s subsidiaries, except for Copernic, have been translated into the reporting currency as follows: monetary assets and liabilities have been translated at the exchange rate in effect at the balance sheet date, non-monetary assets and liabilities have been translated at the historical exchange rate. Revenue and expenses have been translated at the average exchange rate for each year. All gains or losses resulting from the application of this translation method are included in net earnings (loss) for the year.

Copernic follows the current rate method of accounting for translation of foreign currency amounts into Canadian dollars. Under this method, all assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the exchange rate in effect at the time of the transaction. Exchange gains or losses resulting from translation are included in the cumulative translation adjustment. Changes in the cumulative translation adjustment during the year result solely from the application of this translation method.

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o) Foreign currency transactions

Transactions concluded in currencies other than the functional currency have been translated as follows: monetary assets and liabilities have been translated at the exchange rate in effect at the balance sheet date and revenue and expenses have been translated at the average exchange rate for each period; non-monetary assets and liabilities have been translated at the rates prevailing at the dates of the respective transactions. Exchange gains and losses arising from such transactions are included in net earnings (loss) for the year.

p) Earnings (loss) per share

Basic earnings (loss) per share are calculated using the weighted average number of shares outstanding during each of the years (note 15).

Diluted earnings (loss) per share are calculated based on the weighted average number of common shares outstanding in each of the years, plus the effects of dilutive common share equivalents, such as options and warrants outstanding. This method requires that the dilutive effect of outstanding options and warrants be calculated using the treasury stock method, as if all dilutive options and warrants had been exercised at the later of the beginning of the reporting period or date of issuance, and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of the common shares during the year.

q) Comparative figures

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

3 Change in accounting policies

a) For changes affecting 2003

Stock-based compensation and other stock-based payments

During the fourth quarter of 2003, the Company adopted, retroactive to January 1, 2003, the fair value method of accounting for stock options granted to employees. Under this method, the fair value of options granted to employees is charged to expense over the future vesting period. In accordance with the transitional provisions of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments , the Company has elected to apply this new method prospectively to options granted to employees on or after January 1, 2003. Consequently, prior period financial statements have not been restated; however, the Company continues to provide pro forma disclosures as if the fair value method of accounting had been applied retroactively.

Impairment of long-lived assets

CICA Handbook section 3063, Impairment of Long-Lived Assets , provides guidance on the recognition, measurement and disclosure of the impairment of long-lived assets. It replaces the write-down provisions in Section 3061, Property, Plant and Equipment . The provisions of the Section require an impairment loss for a long-lived asset to be held and used to be recognized when its carrying amount exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by which its carrying amount exceeds its fair value. The adoption of this section did not have a significant impact on the

financial statements.

Disposal of long-lived assets and discontinued operations

CICA Handbook section 3475, Disposal of Long-Lived Assets and Discontinued Operations , provides guidance on recognizing, measuring, presenting and disclosing long-lived assets to be disposed of and replaces the disposal provisions in Section 3475, Discontinued Operations and Section 3061, Property, Plant and Equipment . The Section provides criteria for classifying assets as held for sale to be measured at the lower of carrying value and fair value less costs to sell, provides criteria for classifying a disposal as a discontinued operation and specifies presentation and disclosure for discontinued operations and other disposals of long-lived assets. The adoption of this section did not have a significant impact on the financial statements.

b) For changes affecting 2004

Asset retirement obligations

CICA Handbook section 3110, Asset Retirement Obligations , focuses on the recognition and measurement of liabilities for obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The adoption of this section did not have a significant impact on the financial statements.

c) For changes affecting 2005 and future years

Consolidation of variable interest entities

CICA Accounting Guideline 15, Consolidation of Variable Interest Entities , provides clarification on the consolidation of those entities defined as variable interest entities , when equity investors are not considered to have a controlling financial interest or they have not invested enough equity to allow the entity to finance its activities without additional subordinated financial support from other parties. Variable interest entities are commonly referred to as special purpose entities. The guideline comes into effect for interim periods beginning on or after November 1, 2004. The adoption of this section did not have a significant impact on the financial statements.

Financial instruments

On April 1, 2005, the CICA issued three new Handbook sections: Section 1530 Comprehensive Income , Section 3855 Financial Instruments Recognition and Measurement , and Section 3865 Hedges . These new sections apply to fiscal years beginning on or after October 1, 2006 with earlier adoption permitted as of the beginning of a fiscal year ending on or after December 31, 2004.

Section 3855 Financial Instruments Recognition and Measurement requires all financial instruments to be classified as either Held to Maturity, Loans and Receivables, Held for Trading, or Available for Sale. The Held to Maturity classification is restricted to fixed maturity instruments that the Company intends and is able to hold to maturity. Loans and Receivables and Held to Maturity investments are accounted for at amortized cost. Securities that are acquired for selling in the near term are classified as Held for Trading are accounted for at fair value with realized and unrealized gains and losses reported in net income. The remaining financial instruments are classified

as Available for Sale and are measured at fair value with unrealized gains and losses, not affecting income, but reported in a new category in Shareholders equity called Other Comprehensive Income.

Section 3865 Hedges which replaces Accounting Guideline 13 Hedging Relationships requires that all derivatives, including hedges, be measured at fair value. Changes in the fair value of a derivative which hedges the Company s exposure that the fair value of an asset or liability will change due to a particular risk are recognized in net income together with those of the respective offsetting hedged item. However, changes in the fair value of a derivative which hedges the Company s exposure to changing cash flows are accumulated in Other Comprehensive Income until the transaction being hedged affects net income.

Section 1530 Other Comprehensive Income , a new category in the Shareholders equity section, includes in addition to the items mentioned above, unrealized foreign currency translation gains and losses, net of hedging activities.

The Company will adopt these recommendations for its fiscal year 2007.

4 Functional currency

During the first quarter of fiscal 2004, the Company determined that the functional currency of its wholly owned subsidiary, Mamma.com Enterprises Inc., had clearly changed from the Canadian dollar to the U.S. dollar as at the beginning of the quarter. As a result of this change, which has been applied prospectively from January 1, 2004, transactions entered into by Mamma.com Enterprises Inc. which are denominated in currencies other than the U.S. dollar are translated into U.S. dollars using the temporal method. Under this method, monetary assets and liabilities are translated into U.S. dollars at the exchange rate in effect on the balance sheet date.

Non-monetary assets and liabilities are translated into U.S. dollars at historical exchange rates. Revenues and expenses are translated into U.S. dollars at the exchange rates prevailing at the dates of the respective transactions. Gains and losses resulting from translation of monetary assets and liabilities into U.S. dollars are reflected in the consolidated statements of operations.

Prior to this change, the functional currency of Mamma.com Enterprises Inc. was the Canadian dollar. Accordingly, the financial statements of Mamma.com Enterprises Inc. were translated from Canadian dollars into U.S. dollars using the current rate method. Gains and losses resulting from translation of these financial statements were included in the cumulative translation adjustment in shareholders equity. The translated amounts for non-monetary items as at January 1, 2004 are the historical basis for those items in subsequent periods.

5 Discontinued operations

Digital Arrow LLC and High Performance Broadcasting, Inc.

In September 2005, following the poor performance of Digital Arrow LLC and High Performance Broadcasting, Inc. (Digital Arrow) located in Florida, management decided to discontinue its subsidiary s operations. The Company has therefore not renewed the lease in Florida and recorded closing costs.

Consequently, the results of the operations of Digital Arrow were recorded as discontinued operations and the results of the Company for the years ended December 31, 2005 and 2004 were reclassified to account for the closure

of the subsidiary s operations. The Company had acquired Digital Arrow on June 10, 2004, a privately held marketing company that was engaged in the distribution of on-line, opt-in e-mail marketing solutions via the Internet. In that acquisition, the Company s wholly owned subsidiary, Mamma.com USA, Inc., entered into a Securities Purchase Agreement with Digital Arrow and their equity holders, pursuant to which Mamma.com USA, Inc. acquired all equity interests in Digital Arrow. The consideration for the acquisition, including costs directly related to the acquisition, consisted of $1,264,210 in cash, net of cash acquired, and 90,000 of the Company s common shares. The fair value of the Company shares issued to owners of Digital Arrow was determined to be $8.23 per share. This value has been determined using the average closing price of the Company s common stock for five days before and five days after March 3, 2004, the date the significant terms and conditions of the transaction were agreed to and publicly announced. The operations of the business have been included in these financial statements since June 1, 2004.

This acquisition has been accounted for using the purchase method. The fair value of the net assets acquired was $1,535,744 and goodwill of $556,196, for a total purchase price of $2,091,940. From this purchase price, $740,782 was paid by issuance of the Company s common shares, $86,948 was cash acquired at the transaction for a cash paid net of cash acquired of $1,264,210.

IBT

On September 9, 2003, the Company announced that it had received and accepted, subject to completion of due diligence, an offer for the sale of its wireless billing subsidiary, IBT. The results of operations and cash flows for IBT have been reported separately as discontinued operations in the consolidated statements of operations and cash flows, and the remaining assets and liabilities of IBT have been segregated on the consolidated balance sheets. Comparative figures for the year ended December 31, 2004 and 2003 have been reclassified in order to comply with this presentation.

On February 12, 2004, the Company concluded the sale of IBT s assets which include contracts, customer lists, intellectual property, fixed assets and tangible and intangible assets relating to the business.

The proceeds of disposal was $1,699,185 with a gain on disposal of $1,588,923 which has been included in the Results of discontinued operations line in the consolidated statements of operations. The Company was entitled to additional consideration of up to a maximum of $250,000 should certain events occur or conditions be met. As of December 31, 2004, an amount of $100,000 of such contingent consideration had been earned by the Company and recorded in results of discontinued operations. The Company recorded, for 2004, net costs for an amount of $544,927 which represented the net of revenue of $621,296 and expenses of $1,166,223 including closing costs. An amount of $148,000 has been kept in escrow and has been released in 2005. In 2005, no events occurred or conditions were met for the remaining contingent consideration of $150,000.

The gain on disposal is detailed as follows:

	$
Proceeds	1,699,185
Assets disposed and related fees	
Equipment	210,916
Other assets, net	(22,843)
Legal and other fees	133,579
Cumulative translation adjustment related to the sales of IBT	(211,390)
	110,262
Gain on disposal	1,588,923

Summary of assets and liabilities of discontinued operations

	As at December 31,	
	2005	**2004**
	$	**$**
Current assets		
Accounts receivable	9,694	268,246
Other current assets	-	6,524
	9,694	274,770

Assets		
Property, plant and equipment	-	70,195
Intangible assets	-	1,256,466
Goodwill	-	556,196
	-	1,882,857
Liabilities		
Accounts payable and accrued liabilities	189,223	543,584
Deferred revenue	-	23,525
Income taxes payable	-	85,000
	189,223	652,109

Summary of discontinued operations

	2005 $	2004 $	2003 $
Revenues	474,409	1,793,977	6,493,986
Earnings (loss) before income taxes	(2,315,335)	733,654	(32,220)
Net earnings (loss)	(2,315,335)	733,654	(300,053)

For the years 2005 and 2004, earnings (loss) before income taxes are the same as net earnings (loss). In 2004, this was due to benefits arising to prior years tax losses not previously recognized. In 2003, the Company recorded a provision for income taxes due to a tax assessment disallowing research and development tax credits claimed in prior years.

6 Business acquisitions

Copernic Technologies Inc.

On December 22, 2005, the Company acquired 100% of the issued and outstanding securities of Copernic including an amount to cover Copernic's outstanding stock appreciation right obligations.

Copernic develops cutting-edge search and information management solutions that enable home and business PC users to maximize their information assets and become more efficient and proactive in their daily activities. Copernic is dedicated to providing its customers with cost-effective Web and desktop search technology that enables better decision-making and increased productivity.

The consideration for the acquisition, including costs directly related to the acquisition, consisted of $15,851,922 in cash including $3,297,007 paid to settle Copernic s stock appreciation right and severance obligations net of cash acquired. The Company also issued 2,380,000 common shares as part of the consideration paid. The fair value of the Company shares issued to owners of Copernic has been determined to be $2.958 per share. This value has been determined using the average closing price of the Company s common stock for two days before and after August

17, 2005, the date the significant terms and conditions of the transaction were agreed to and publicly announced.

This acquisition has been accounted for using the purchase method and the results of operations have been included in the statement of operations from the date of acquisition. The purchase price allocation was finalized upon receipt of a valuation report.

This acquisition has been accounted for using the purchase method. The fair value of the net assets acquired is summarized below:

	Copernic 2005 $
Cash	851,130
Accounts receivable	1,383,228
Prepaid	65,994
Income tax receivable	496,219
Future income taxes (current)	33,403
Future income taxes (long-term)	13,442
Income tax credit	54,746
Property, plant and equipment	314,284
Software	65,220

Patents	69,527
Trade names	2,500,000
Customer relationships	2,000,000
Technology	3,400,000
Total assets acquired	11,247,193
Accounts payable and accrued liabilities	226,822
Future income taxes	2,686,000
Total liabilities assumed	2,912,822
Net identifiable assets acquired	8,334,371
Goodwill	15,408,721
Purchase price	23,743,092
Less:	
Common shares issued	7,040,040
Cash acquired	851,130
Consideration paid net of cash acquired	15,851,922

Goodwill is not deductible for income tax purposes.

7 Temporary Investments

Temporary investments consist of commercial paper bearing a weighted average interest rate 4.09% per annum (2004 2.29%) and maturing on various dates up to April 2006. The market value of the commercial paper as at December 31, 2005 and 2004 approximates its book value.

8 Accounts receivable

Accounts receivable comprise the following:

	2005	2004
	$	$
Trade accounts receivable	2,689,648	2,578,745
Allowance for doubtful accounts	(276,402)	(205,223)
	2,413,246	2,373,522
Other	210,694	129,013
	2,623,940	2,502,535

9 Investments

Investments comprise the following:

	2005	2004
	$	$
LTRIM Technologies Inc. (4,891,686 Class A common shares and 359,281 Class A preference shares) (i)	720,000	720,000
Tri-Link Technologies Inc. (4,054,874 Preference shares) (ii)	-	-
TECE, Inc. (5,000,000 Common shares) (ii)	-	-
	720,000	720,000

The fair value of LTRIM Technologies Inc. has been established at $720,000 by independent appraisal and nil for Tri-Link Technologies Inc. and TECE, Inc. as of December 31, 2005.

i) In 2004, due to a permanent impairment in value, the Company wrote off $365,286 of its investment in LTRIM Technologies Inc.

ii) In 2001 and 2002, due to a permanent impairment in value, the Company wrote off its investments in Tri-Link Technologies Inc. (Tri-Link) and TECE, Inc. In 2005, The Company received $41,878 from Tri-Link, this amount has been recorded in other income.

iii) On August 28, 2003, the Company sold its entire investment in uPath.com Inc. for CA$45,000 (US$32,499). As this investment had been written off in its entirety in 2002 due to a permanent impairment in value, the gain on disposal of the investment amounted to $32,499 in 2003.

10 Property, plant and equipment

	2005		
	Cost $	Accumulated amortization $	Net $
Computer equipment	1,221,578	821,160	400,418
Furniture and fixtures	171,485	62,921	108,564
Leasehold improvements	177,642	87,866	89,776
	1,570,705	971,947	598,758

	2004		
Computer equipment	1,022,586	754,127	268,459
Furniture and fixtures	87,104	53,825	33,279
Leasehold improvements	87,181	84,295	2,886
	1,196,871	892,247	304,624

11 Goodwill and other intangible assets

Intangible assets

	2005		
	Cost $	Accumulated amortization $	Net $
Trade names	2,912,869	276,148	2,636,721
Technology	3,705,217	211,961	3,493,256
Customer relationships	2,424,985	149,210	2,275,775
Software	181,760	56,920	124,840
Patents	71,439	183	71,256
	9,296,270	694,422	8,601,848

2004

Trade names	412,869	185,745	227,124
Technology	305,217	132,289	172,928
Customer relationships	424,985	92,100	332,885
Software	63,098	42,257	20,841
	1,206,169	452,391	753,778

Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2005 and 2004 are as follows:

	Copernic	**focusIN**	**Total**
	$	**$**	**$**
Balance December 31, 2003 and 2004	-	846,310	846,310
Business acquisitions (note 6)	15,408,721	-	15,408,721
Balance December 31, 2005	15,408,721	846,310	16,255,031

12 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	2005	**2004**
	$	**$**
Trade accounts payable	1,860,183	1,513,127
Other		
Accrued employee costs	415,942	285,666
Directors and officers payable	384,102	433,401
Payable to a company owned by a current director (a) (b)	30,716	12,764
	2,690,943	2,244,958

(a) The amount payable to a company owned by a current director relates to consulting agreement between the Company and the company owned by a current director.

(b) Services provided by a director acting as an Executive Chairman for 2005 were $202,658 (2004 $182,687; 2003 $171,465). The transactions are in the normal course of operations and are measured at the exchange amount which is the amount of the

consideration established and agreed to by the related parties.

13 Capital stock

On September 7, 2004, the Company filed a Notice of Intention with the Ontario Securities Commission to make a Normal Course Issuer Bid (the Notice). In the Notice, the Company stated its intention to purchase on the open market at prevailing market prices, through the facilities of the NASDAQ stock market, up to a maximum of 600,000 of its common shares, being approximately 5% of the outstanding common shares, and common shares comprising the public float, as at December 31, 2004. At the expiration period, on September 7, 2005, the Company did not file a new notice.

During the year ended December 31, 2004, the Company did not purchase any of its outstanding common shares. During the year ended December 31, 2005, the Company redeemed 304,665 of its common shares at a weighted average purchase price of $3.46, for a total amount of $1,053,155. The $1,195,147 excess of stated capital value over the redemption amount has been credited to additional paid-in capital.

Stock options

The Company s stock option plan is administered by the Compensation Committee, which is a subcommittee of the Board of Directors. The Compensation Committee designates eligible participants to be included under the plan, and designates the number of options and the share price pursuant to the new options, subject to applicable securities laws and stock exchange regulations. The options, when granted, will have an exercise price of no less than the market price of shares at the date of grant and a life not exceeding 10 years. The options vest in equal increments over a period of three or four years, commencing one year from the grant date. The number of options granted in any fiscal year shall not exceed 15% of the issued and outstanding common shares at the date of the grant.

In 2003, 227,500 stock options at exercise prices between $1.99 and $3.58 expiring between seven and ten years were granted to officers and employees of the Company.

In 2004, 10,000 stock options were cancelled and granted with new conditions. The fair value of these new granted options were estimated as the date of grant using the Black-Scholes option pricing model.

On November 2, 2004, the Company granted to Officers and Members of the Board of the Company, 295,000 stock options at an exercise price of $7.08 expiring in five years.

On February 2, 2005, the Officers and Members of the Board of Directors of the Company to whom the above-mentioned stock options had been granted, waived and renounced any and all rights that each had or may have had on the options. Consequently, the options were cancelled as of that date. The stock-based compensation costs of $138,395 recorded as of December 31, 2004 pertaining to these options was reversed in the first quarter of 2005.

On February 16, 2005, 55,800 and 39,196 stock options at an exercise price of $6.28 expiring in five years were granted to officers and employees of the Company, respectively.

On November 8, 2005, the Company granted to Officers and Members of Board of the Company, 430,000 stock options at an exercise price of $2.28 expiring in five years.

Information with respect to stock option activity for, 2003, 2004 and 2005 is as follows:

	Number of options	Weighted average exercise price $
Outstanding December 31, 2002	377,180	1.76
Granted	227,500	2.71
Forfeited	(28,357)	1.74

Exercised		(129,678)	1.34
Outstanding	December 31, 2003	446,645	2.37
Granted		305,000	6.91
Forfeited		(16,000)	1.99
Expired		(18,750)	8.00
Exercised		(255,561)	1.57
Outstanding	December 31, 2004	461,334	5.60
Granted		524,996	3.00
Forfeited		(322,747)	6.94
Exercised		(2,500)	2.57
Outstanding	December 31, 2005	661,083	2.90

Details of stock options outstanding as at December 31, 2005 are as follows:

		Outstanding options			Exercisable options	
Range of exercise prices $		**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
1.50	1.99	30,834	6.51	1.90	30,834	1.90
2.38	3.58	555,500	5.05	2.50	69,834	3.17
6.28		74,749	6.13	6.28	-	-
		661,083	5.24	2.90	100,668	2.78

As at December 31, 2004 and 2003 there were 33,667 and 222,478 options exercisable at weighted average prices of $3.15 and $1.99, respectively.

The fair values of all options granted during 2005, 2004 and 2003 were estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2005 $	**2004 $**	**2003 $**
Expected option life (years)	4.21	4.00	4.04
Volatility	79%	88%	82%
Risk-free interest rate	3.78%	3.70%	4.00%

Dividend yield	nil	nil	nil

The weighted average grant-date fair values for stock options granted during 2005, 2004 and 2003 were $1.90, $4.61 and $2.71 per option, respectively.

Stock-based compensation expense recognized in 2005, 2004 and 2003 in regards to the stock options was $136,933, $301,944 and $113,365, respectively.

Pro forma stock-based compensation disclosures

As described in note 3, the Company adopted, retroactive to January 1, 2003, the fair value method of accounting for stock options granted to employees and has applied this new method on a prospective basis. Following is a summary of what the net earnings (loss) and related per share figures would have been for 2005, 2004 and 2003 if the Company had applied this change retroactively to all prior years.

	2005 $	2004 $	2003 $
Net earnings (loss) for the year	(5,658,318)	1,104,407	(211,063)
Additional compensation costs	17,496	17,496	14,203
Pro forma net earnings (loss)	(5,675,814)	1,086,911	(225,266)
Pro forma net earnings (loss) per share:			
Basic	(0.47)	0.10	(0.04)
Diluted	(0.47)	0.10	(0.04)

14 Additional paid-in capital and deferred stock-based compensation

On March 16, 2004, the Company retained Merriman Curhan Ford & Co. (MCF) as a financial advisor and as an investment banking advisor. The Company then signed two separate agreements. In consideration for financial services, the Company had committed to pay MCF a monthly fee of $5,000 for a minimum obligation of $30,000 and 10,000 warrants per month with a minimum issuance of 60,000 warrants, each warrant gives the rights to purchase one common share of the Company. Warrants are issuable at an exercise price equal to the average closing bid for the last five trading days at the end of the month of issue, for the duration of the agreement upon the same terms and conditions. The warrants have a life of five years from the issuance date. For the investment banking services, the Company had committed to pay a cash financing completion fee equal to 6% of the total amount of capital received by the Company from the sale of its equity securities and warrants to purchase common shares of the Company in an amount equal to 6% of the number of common shares purchased by investors in capital raising transactions. The warrants are immediately exercisable at the higher of the price per share at which the investor can acquire common shares or the closing price of the Company's common shares at the date of the capital raising transaction. For mergers and acquisitions, the Company had committed to pay a success fee upon closing equal to the sum of 4% of up to $10,000,000 transaction value, 3% of $10,000,000 to $15,000,000 transaction value and 2% of greater than $15,000,000 transaction value, provided that MCF either introduces and/or performs specific services for the transaction. The minimum success fee for a transaction is $200,000. For a sale transaction, the Company had committed to pay a success fee with the same parameters of an acquisition except for the minimum fee which is $500,000.

For the period ended December 31, 2004, 40,000 warrants were issued to MCF at an average price of $12.31, the fair value of which was $260,301 estimated as of grant date using the Black-Sholes pricing model, and charged to expense with a corresponding credit to additional paid-in capital. The following weighted average assumptions were used:

Expected option life	3.5 years
Volatility	86%
Risk-free interest rate	3.99%

Dividend yield	nil

On July 16, 2004, the agreement for financial services, dated March 16, 2004 was amended. The Company committed to pay MCF a monthly fee of $5,000 for eight months from July 16, 2004. The agreement for investment banking services was amended on July 16, 2004, on September 8, 2004 and subsequently on October 12, 2005. The Company then is committed to pay a success fee upon closing equal to the sum of 3% of up to $20,000,000 transaction value, 1.5% of the excess of $20,000,000. If an acquisition transaction is less than 50% interest in the Company or the Target, a fee shall be payable in cash for 7% of the transaction value. If transaction is not

consummated and the Company is entitled to receive break-up fee and other form of compensation, the Company then will pay to MCF 30% of Company's entire entitlement. In the event that the Board deems it necessary or appropriate for a fairness opinion to be rendered in connection with an acquisition transaction, MCF will receive a Fairness Opinion Fee of $200,000 for rendering its opinion, payable upon delivery of the Fairness Opinion and will be credited against the M&A Completion Fee due to MCF.

On June 30, 2004, the Company sold under a securities purchase agreement an aggregate of 1,515,980 common shares and 606,392 warrants to certain accredited investors for an aggregate price of $16,599,981. Net proceeds from the offering amounted to $15,541,162, net of issue cost of $1,058,819, $996,000 of which was paid to MCF. For this specific transaction, MCF waived their entitlement to a warrant component of the financing completion fee. Each warrant entitles the accredited investors to purchase one additional common share at an exercise price equal to $15.82 per share. The warrants will be exercisable beginning six months after the closing date, and will have a term of five years from the closing date.

The amounts allocated to the shares and warrants totalled $13,158,329 and $3,441,652, respectively. These amounts have been allocated based upon the relative fair values of the shares and warrants at the date they were issued. The estimated fair values of the warrants have been determined using the Black-Scholes pricing model and the following weighted average assumptions:

Expected option life	5 years
Volatility	86%
Risk-free interest rate	4.19%
Dividend yield	nil

In 2003, the Company granted 105,000 warrants at an average price of $2.50 to Maxim Group, LLC for financial advisory fees, the fair value of which was $84,566 estimated as of the grant date using the Black-Scholes pricing model, and charged to expense during the year with a corresponding credit to additional paid-in capital. These warrants vested immediately and expire after three years.

On December 12, 2002, the Company completed a private placement of 1,893,939 units, each unit consisting of one common share and one A warrant, for total gross proceeds amounting to $2,500,000, or $1.32 per unit. Each A warrant vests immediately, expires on November 30, 2004, and permits the holder to purchase one additional common share of the Company at an exercise price of $1.40 per share. The private placement agreement provides for a reload feature, whereby upon exercise of the entire A warrants, the holders are entitled to receive one new B warrant for each A warrant exercised. The B warrant vests immediately upon issuance, expires on November 30, 2006, and permits the holder to purchase an additional common share at an exercise price of $1.50 per share. As at December 31, 2004, the totality of the A and B warrants had been exercised.

Information with respect to warrant activity for 2003, 2004 and 2005 is as follows:

		Number of warrants	Weighted average exercise price $
Outstanding	December 31, 2002	2,037,409	1.42

Issued (i)	247,045	1.94
Forfeited	(1,425)	30.80
Exercised	(284,090)	1.45
Outstanding December 31, 2003	1,998,939	1.46
Issued - B warrants	1,893,939	1.50
Issued - Other	646,392	15.60
Exercised	(3,892,878)	1.48
Outstanding December 31, 2004 and 2005	646,392	15.60

(i) Does not include warrants to be issued in connection with the B warrant reload feature described above. For various price ranges, the weighted average characteristics of warrants outstanding and exercisable as at December 31, 2005 were as follows:

Range of exercise prices $	**Number of warrants**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price $**
11.34 13.89	40,000	3.41	12.31
15.82	606,392	3.50	15.82
	646,392	3.49	15.60

15 Earnings (loss) per share

	2005 $	**2004 $**	**2003 $**
Weighted average number of shares Basic	12,168,117	10,758,604	6,207,360
Additions to reflect the impacts of:			
Exercise of stock options	-	121,195	93,854
Exercise of warrants (i)	-	330,107	1,740,022
Weighted average number of shares Diluted	12,168,117	11,209,906	8,041,236

(i) In 2003, includes B warrants issuable upon exercise of the A warrants described in note 14.

Options to purchase 309,895 common shares (2004 48,361; 2003 18,750), warrants to purchase 646,392 common shares (2004 327,712; 2003 16,000) have been excluded from the above calculations since they would have an anti-dilutive effect.

16 Revenues

	2005 $	2004 $	2003 $
Search advertising	4,935,617	9,659,024	5,787,980
Graphic advertising	4,456,399	4,965,198	3,150,883
Other	72,544	12,096	-
	9,464,560	14,636,318	8,938,863

17 Cost of revenues

	2005 $	2004 $	2003 $
Partner payouts	1,637,878	3,940,350	2,471,927
Media Purchase	2,264,700	2,384,262	1,213,387
ISP Charges	279,965	214,601	305,951
Other	21,487	-	-
	4,204,030	6,539,213	3,991,265

18 Consolidated statement of cash flows

In 2005, the consideration for the acquisition of Copernic (Digital Arrow in 2004) includes 2,380,000 (90,000 for Digital Arrow) of the Company s common shares at a determined fair value of $2.958 ($8.23 for Digital Arrow) per share. Therefore, $7,040,040 ($740,782 for Digital Arrow) representing the value of the consideration paid by the issuance of capital stock are excluded from business acquisitions and issuance of capital stock.

In 2003, financial fees paid in lieu of cash amounted to $17,000.

19 Net change in non-cash working capital items

	2005 $	2004 $	2003 $
Cash flows from (used for):			

Accounts receivable	1,266,077	(215,782)	(1,033,078)
Income taxes receivable	12,100	(104,129)	(15,259)
Prepaid expenses and other assets	(99,707)	(39,651)	(3,083)
Accounts payable and accrued liabilities	227,841	(35,737)	81,709
Deferred revenue	13,702	92,732	388
	1,420,013	(302,567)	(969,323)

20 Income taxes

a) The provision for (recovery of) income taxes is detailed as follows:

	2005	**2004**	**2003**
	$	**$**	**$**
Current	(12,046)	153,825	-
Future (recovered)	(13,964)	400,855	(77,636)
	(26,010)	554,680	(77,636)

b) A reconciliation of the combined Canadian Federal and provincial income tax rate with the Company s effective income tax rate is as follows:

	2005	**2004**	**2003**
	$	**$**	**$**
Earnings (loss) from continuing operations before income taxes	(3,368,993)	925,433	11,354
Expected provision for (recovery of) income taxes at the statutory rate	(1,070,666)	287,069	3,749
Impact of foreign and provincial rates	(348)	10,965	-
Change in future income tax balance due to change in rate	(947,104)	-	-
Unrecognized benefit of current year tax losses and undeducted research and development expenses, and other temporary differences	2,067,696	500,116	465,295
Benefit of prior years tax losses not previously recognized	(93,681)	(17,178)	-
Recognition of future benefit of prior years temporary differences, including tax losses and undeducted research and			

development expenses	-	-	(577,482)
Permanent difference, including amortization and impairment of goodwill and write-down of investment	18,093	(226,292)	30,802
Provision for (recovery of) income taxes	(26,010)	554,680	(77,636)

c) The major components of the net future income tax asset classified by the source of temporary differences are as follows:

	2005 $	2004 $
Assets		
Property, plant and equipment	2,839,093	2,558,945
Non-capital losses (expiring 2006-2015)	8,635,786	6,443,236
Unrealized impairment losses on investments	764,853	740,295
Research and development expenses	362,077	-
Financing expenses	257,648	341,871
Intangible assets	217,521	-
Goodwill	188,693	116,079
Other	39,971	-
	13,305,642	10,200,426
Liabilities		
Intangible assets	2,672,036	-
Net future income tax assets before valuation	10,633,606	10,200,426
Valuation allowance	(13,258,654)	(10,200,426)
	(2,625,048)	-
Presented as:		
Current asset	33,505	-
Long-term asset	13,483	-
Long-term liability	2,672,036	-
	(2,625,048)	-

As at December 31, 2005, the Company also has temporary differences in United Kingdom of $60,974 (2004-nil), in United States of America for $2,084,346 (2004-$1,088,042) and in Australia for $628,937 (2004- $678,675) with no expiration date. No future tax assets were recognized in 2005 and in 2004 for these temporary differences.

In addition, the Company has capital losses amounting to $14,724,484 in 2005 (2004-$14,107,504) without expiring date. No future tax assets were recognized in 2005 and in 2004 for these capital losses.

d) As at December 31, 2005, the Company has non-capital loss carryforwards totalling approximately $25,210,000 for Federal and provincial income tax purposes which may be used to reduce taxable income in future years.

These losses may be claimed no later than fiscal years ending December 31:

	$
2006	4,438,000
2007	4,817,000
2008	3,509,000
2009	2,558,000
2010	3,417,000
2014	852,000
2015	5,619,000

21 Product development and technical support expenses

The following details the net product development and technical support expenses included in the consolidated statements of operations:

	2005	**2004**	**2003**
	$	**$**	**$**
Product development and technical support expenses	1,276,346	809,347	477,634
Research and development expenses	31,600	168,715	249,906
	1,307,946	978,062	727,540
Less: research and development tax credits	21,601	86,521	128,157
	1,286,345	891,541	599,383

22 Segment information

The Company had a single reporting segment until the acquisition of Copernic on December 22, 2005, resulting in the creation of a second reporting segment from that date forward. Since the Company reports Copernic s operations from the date of the acquisition transaction (duration of 8 days), revenues of this segment are included in Other specified in the table below.

Geographic segment

	2005	2004	2003
	$	$	$
Revenues:			
Canada	207,048	225,773	238,655
United States	7,449,614	13,427,257	8,499,380
Europe	1,650,907	873,924	126,272
Other	156,991	109,364	74,556
	9,464,560	14,636,318	8,938,863

	2005	2004	2003
	$	$	$
Long-lived assets and goodwill:			
Canada	25,455,637	1,904,712	2,149,336
	25,455,637	1,904,712	2,149,336

23 Major Customers

The Company has two major customers, each account for more than 10% of the Company's sales. Sales for each of them represented approximately 14% (2004 - 2%; 2003 - 0%) and 11% (2004 - 11%; 2003 - 8%), respectively, of the Company's sales. The outstanding accounts receivable from these customers as at December 31, 2005 amount to approximately 8% (2004 - 4%) and 1% (2004 - 14%), respectively, of the total accounts receivable.

24 Contingencies and commitments

Informal SEC inquiry to formal investigation

On March 18, 2004, the United States Securities and Exchange Commission (SEC) notified the Company that the SEC had begun an informal inquiry relating to trading activity in the Company s securities. During March of 2004, trading in the Company s common stock had been intense and the market price of the common stock had risen sharply.

The SEC has since issued a formal order of investigation in this matter. As a part of its investigation, the Company believes the SEC may consider matters related to trading in the Company s securities and whether an individual and persons acting jointly or in concert with him may have had a significant influence on the Company in the past as a result of undisclosed shareholdings. (See *Special Investigation of Independent Committee* below.) The Company also believes that the Commission s staff may consider matters relating to the Company s financial reporting and internal controls. The scope, focus and subject matter of the SEC investigation may change from time to time and the Company may be unaware of matters under consideration by the SEC. The Company intends to continue cooperating with the SEC in its investigation

Purported Securities Class Action Lawsuit

On February 22, 2005, the first of several purported securities class action lawsuits was filed in the United States District Court, Southern District of New York against the Company, and certain of the Company s current officers and directors. The plaintiffs allege, among other things, violations of the Securities Exchange Act of 1934 for purportedly failing to disclose and misrepresenting certain allegedly material facts relative to the market for and trading in the Company s stock, and seek unspecified damages. The purported class actions appear to be based on unsubstantiated rumours and newspaper reports. All of these lawsuits have been consolidated. The Company denies the allegations of wrongdoing against it, believes that the purported claims are without merit, intends to defend itself vigorously, and has moved for dismissal of the consolidated lawsuit.

The Company s director and officer liability insurance is expected to cover most of the costs incurred in defending the purported securities class action in excess of the $250,000 retention paid. The insurer has paid most of the fees and expenses to date, except an amount of approximately $26,000 which has not been paid; the insurer is asserting that some fees and expenses of the class action defense counsel were outside the scope of coverage. The Company does not believe the insurer will successfully maintain this position with respect to the minimal unpaid amount of fees and expenses.

Special Investigation of Independent Committee

Following press reports in January 2005 and in response to recommendations made by the Company s former independent auditor, the Company s Board of Directors initiated an investigation under the supervision of a Special Independent Committee consisting of independent directors of the Audit Committee with independent legal counsel to investigate the allegations in the press reports. Those press reports claimed that Irving Kott and persons acting jointly or in concert with him may have had a controlling influence on the Company in the past as a result of undisclosed shareholdings. The Special Committee and its independent counsel have reviewed the relevant information available at the time of the investigation relating to the period from January 1, 1999 to December 31, 2004. While the Special Committee did note some evidence of contacts with and involvement by Mr. Kott and persons with whom he may have had an association, based on its review, the Special Committee has not found evidence establishing that Mr. Kott had a controlling influence on the Corporation during such period.

Commitments

The Company is committed under operating lease agreements. Future minimum payments under these leases as of December 31, 2005 are as follows:

		$
Years ending December 31,		
	2006	329,000
	2007	218,000
	2008	182,000
	2009	106,000
	2010	71,000
Thereafter		-

Other commitments

The Company maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify its directors, and officers and former directors, officers and employees of acquired companies, in certain circumstances. It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements may not be subject to maximum loss clauses. Historically, the Company has not incurred material costs as a result of obligations under these agreements and it has not accrued any liabilities related to such indemnification obligations in its financial statements.

25 Financial instruments

Currency risk

The Company operates internationally and is exposed to market risks principally from changes in foreign currency rates. The Company does not hold any financial instruments that mitigate this risk.

Credit risk

Financial instruments which potentially subject the Company to credit risk consist principally of cash, short-term investments, temporary investments and accounts receivable. The Company s cash, short-term investments and temporary investments are maintained at major financial institutions; therefore, the Company considers the risk of non-performance on these instruments to be remote.

The Company is exposed to credit risk on accounts receivable from its customers. The Company performs ongoing credit evaluations of its customers financial condition and generally requires no collateral from its customers. As at December 31, 2005, approximately 39% of accounts receivable are due from two customers, as compared to 30% from four customers in the previous year.

Fair value of financial instruments

The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, bank overdraft, temporary investments, accounts receivable and accounts payable and accrued liabilities approximate their respective fair values due to the short maturities of those instruments. The fair value of the Company s investments is presented in note 9.

Interest rate risk

As at December 31, 2005, the Company s exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rates
Temporary investments	From 4.06% to 4.12%
Accounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing

26 United States generally accepted accounting principles

As a registrant with the Securities and Exchange Commission in the United States, the Company is required to reconcile its financial results for significant measurement differences between Canadian GAAP and U.S. GAAP as they specifically relate to the Company.

For the years ended December 31, 2005, 2004 and 2003, the Company does not have any significant adjustments to record in order to reconcile its reported net earnings (loss) under Canadian GAAP and U.S. GAAP.

	2005 $	2004 $	2003 $
Other comprehensive income (loss)			
Foreign currency translation adjustment (a)	9,485	(80,680)	717,257
Net earnings (loss) in accordance with U.S. GAAP	(5,658,318)	1,104,407	(211,063)
Comprehensive income (loss)	(5,648,833)	1,023,727	506,194

The effects of these adjustments on the consolidated balance sheets of the Company are as follows:

	2005 $	2004 $
Capital stock		
Capital stock in accordance with Canadian GAAP	95,298,234	90,496,088
Reduction of stated capital (b)	16,769,570	16,769,570
Capital stock in accordance with U.S. GAAP	112,067,804	107,265,658

Additional paid-in capital		
Additional paid-in capital in accordance with Canadian GAAP	5,985,077	5,255,249
Stock-based compensation costs (c)		
Cumulative effect of prior years	1,037,690	1,037,690
Additional paid-in capital in accordance with U.S. GAAP	7,022,767	6,292,939
Deferred stock-based compensation costs in accordance with Canadian and U.S. GAAP	(735,175)	(1,333,443)
Accumulated other comprehensive gain (loss) (a)		
Cumulative translation adjustment in accordance with Canadian GAAP	370,369	360,884
Accumulated deficit		
In accordance with Canadian GAAP	(68,401,524)	(62,743,206)
Reduction of stated capital to deficit (b)	(16,769,570)	(16,769,570)
Stock-based compensation costs (c)		
Cumulative effect of prior years	(1,037,690)	(1,037,690)
Accumulated deficit in accordance with U.S. GAAP	(86,208,784)	(80,550,466)
Total shareholders equity in accordance with U.S. GAAP	32,516,981	32,035,572

Consolidated statement of cash flows

The consolidated statement of cash flows was prepared under Canadian GAAP. There are no measurement differences between Canadian GAAP and U.S. GAAP as they specifically apply to the Company.

a) Comprehensive income (loss)

U.S. GAAP requires disclosures of comprehensive income (loss) which comprises any charges or credits to shareholders equity not related to investments or distributions to shareholders and not otherwise classified in the consolidated statements of operations for the year. Under Canadian GAAP, there is no requirement to report comprehensive income (loss).

b) Reduction of stated capital

Under U.S. GAAP, the reduction of stated capital in the amount of $16,769,570 undertaken by the Company on June 28, 1995 would not be permitted.

c) Stock-based compensation costs

As described in note 3, the Company prospectively adopted the fair value method of accounting for stock options granted to employees. As a result of this change, there is no difference between the Company s net earnings (loss) for 2005, 2004 and 2003 under U.S. GAAP as compared to Canadian GAAP.

d) Non-refundable tax credits

Under U.S. GAAP, non-refundable tax credits must be presented as a reduction of the provision for income taxes. Under Canadian GAAP, these tax credits are presented as a reduction of the related research and development expenses. Under U.S. GAAP, there would be no change in earnings (loss) from continuing operations and net earnings (loss) for the year; however, earnings (loss) from continuing operations before income taxes and recovery of income taxes under U.S. GAAP would be as follows:

	2005	2004	2003
	$	$	$
Earnings (loss) from continuing operations before income taxes	(3,368,993)	871,711	(66,571)
Provision for (recovery) of income taxes			
Current	(12,046)	153,825	-
Future	(13,964)	347,133	(155,561)

27 Subsequent Events

Fees incurred in SEC investigation

On March 28, 2006, the Company's insurance broker advised the Company's that its insurance carrier was willing to pay an amount up to $460,000 in settlement of claims to date for the legal representation costs incurred in 2005 for directors and officers of the Company with respect to their appearance at the SEC investigation and for legal counsel for named individuals in the securities class action. The settled amount will be recorded in the first quarter of 2006.

Purported Securities Class Action Lawsuits

On March 28, 2006, the court in the consolidated case denied a motion the Company filed for dismissal of the consolidated complaint. The Company denies the allegations against it, believes that the purported claims are without merit, and intends to continue defend itself vigorously (see note 24).

ITEM 18. FINANCIAL STATEMENTS

Not applicable. See Item 17 above.

ITEM 19. EXHIBITS

The following exhibits are filed in support of the statements contained herein and are in addition to those exhibits previously filed with the Commission:

1.1	Articles of Incorporation of Mamma.com Inc, as amended. (Filed as Exhibit 1.1 to the Company s Form 20-F filed May 31, 2005)
1.2	Bylaws of Mamma.com Inc., as amended. (Filed as Exhibit 1.2 to the Company s Form 20-F filed May 31, 2005)
4.1	Consulting Agreement between Dave Goldman Advisors Ltd. and Intasys Corporation dated October 30, 2001 and renewed on May 1, 2002. (Filed as Exhibit 4.4 to the Company s Form 20-F filed May 31, 2005)
4.2	

Consulting Agreement between Maxim Group LLC and Intasys Corporation dated January 29, 2003, the Amended Agreement dated May 5, 2003 and the termination letter regarding the investment banking agreement. (Filed as Exhibit 4.5 to the Company s Report on Form 20-F filed May 31, 2005)

4.3 Consulting Agreement between Sam Luft and Intasys Corporation dated April 1, 2002 and expired on March 1, 2003. (Filed as Exhibit 4.6 to the Company s Form 20-F filed May 31, 2005)

4.4 Asset Purchase Agreement dated January 27, 2004 (without Exhibits and Schedules), the Amendment to Asset Purchase Agreement dated February 12, 2004, the Escrow Agreement dated February 12, 2004 and the Indemnity Agreement dated February 12, 2004 between Mamma.com Inc. and ACE*COMM. (Filed as Exhibit 4.7 to the Company s Form 20-F filed May 31, 2005)

4.5 Merriman Curhan Ford & Co. Advisory Agreement and Engagement Letter dated March 16, 2004 (Filed as Exhibit 4.8 to the Company s Form 20-F filed May 31, 2005)

4.6 Securities Purchase Agreement among the Company, Chris Tsistinas, Erik Kretschmar, Digital Arrow LLC and High Performance Broadcasting, Inc. dated June 10, 2004. (Filed as Exhibit 4.9 to the Company s Report on Form 20-F filed May 31, 2005)

4.7 Securities Purchase Agreement among the Company and the several purchasers thereunder dated June 30, 2004. (Filed as Exhibit 4.10 to the Company s Form 20-F filed May 31, 2005)

4.8 Revised Merriman Curhan Ford & Co. Advisory Agreement and Engagement Letters dated July 16 and September 8, 2004. (Filed as Exhibit 4.11 to the Company s Form 20-F filed May 31, 2005).

4.9 Amendment to Consulting Agreement among Mamma.com Inc. and Dave Goldman Advisors Ltd. and David Goldman dated May 23, 2005.

4.10 Share Purchase Agreement among Mamma.com Inc., Martin Bouchard, Eric Bouchard, 4332903 Canada, Inc., 4332911 Canada, Inc. and others, (Filed as Exhibit 99.2 to the Company s Form 6-K filed December 29, 2005)

4.11 Share Purchase Agreement among Mamma.com Inc., Copernic Technologies, Inc. and others dated December 22, 2005 (Filed as Exhibit 99.3 to the Company Form 6-K filed December 29, 2005).

8.1* List of Subsidiaries of Mamma.com Inc.

11* Code of Ethics

12.1* Certification of Guy Fauré under Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.

12.2* Certification of Daniel Bertrand under Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.

13.1* Certifications under Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 18 of Title 18 of the United States Code.

15.1* Consent of PricewaterhouseCoopers LLP.

15.2* Consent of RSM Richter LLP.

15.3* Audit and Finance Committee Charter

15.4* Compensation Committee Charter

15.5* Nominating and Corporate Governance Committee Charter

* Filed as an Exhibit to this Annual Report on Form 20-F.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all requirements for filing an Annual Report on Form 20-F and has duly caused this Annual Report to be signed on its behalf.

Dated: March 29, 2006

MAMMA.COM INC.

By: /s/ David Goldman
Name: David Goldman
Title: Executive Chairman

/s/ Guy Fauré
Name: Guy Fauré
Title: President and Chief Executive Officer

/s/ Daniel Bertrand
Name: Daniel Bertrand
Title: Executive Vice President and Chief Financial Officer