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

	2005	**2004**	**2003**	**2002**	**2001**
	$	**$**	**$**	**$**	**$**
Consolidated Statements of Operations Data					
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.

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

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

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

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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

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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

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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.

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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.

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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

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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.

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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), 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.

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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

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.

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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.

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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)

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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.

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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.

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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.

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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

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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

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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

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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.

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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

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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

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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.

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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

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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.

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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

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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