CAPITAL MARKETS
HAYWOOD SECURITIES INC.

Member CIPF

Haywood Securities Inc.

Technology

Intrinsyc Software (ICS—T, $0.65)

November 6, 2007

The Right OS at the Right Price

INITIATING COVERAGE:

SECTOR OUTPERFORM; Target Price: $1.25; Risk: SPECULATIVE

- We are initiating coverage of Intrinsyc Software International with a SECTOR OUTPERFORM rating, and a blended DCF-based target price of $1.25 (+ 92%). Although we are in-line with consensus estimates for 2008 and 2009, we are slightly more bullish for 2010.
- Intrinsyc Software operates primarily as two businesses: the wireless systems engineering group, and the mobility software business that has been responsible for the development of Soleus, a consumer software product for wireless and handheld devices since 2004.
- Soleus is a comprehensive software platform (based on Windows CE) and includes a high-level operating system (HLOS), an application suite, a pre-certified telephony stack and sophisticated user interface-generation tools. Soleus' modular architecture speeds up the development process, provides a reusable platform, allows a higher degree of customization, and lowers the manufacturer's bill of materials (BOM).
- The mobile handset industry has a very short technology life cycle, as the average life of a design is less than 2 years. Consequently, manufacturers must continuously introduce new designs with better features at a faster pace—driving the need for a flexible high-level operating system.
- According to Gartner, global handset shipments should reach 1.4 billion units by 2010. The growth is fuelled by increasing mobile penetration in emerging economies, growth in replacement demand, and competition among manufacturers to launch new designs. Within the mobile phone market, feature phones (Intrinsyc's target segment) have evolved as the largest segment, and in 2006, contributed approximately 60% of the global sales (587 million units). We expect feature phones to continue to be 60% to 65% of global shipments going forward.
- From a valuation perspective, Intrinsyc is trading at a discount to the Haywood Global Software Universe based on our CY2009 estimates (EV/Sales of 1.6x versus 3.5x). Our blended DCF-based target of $1.25 yields a CY2009 valuation of 3.1x EV/Sales.

Source: Intrinsyc Software

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Kristian Bauer (416-507-2786, kbauer@haywood.com)

Please see pages 33 - 35 for full rating structures, important disclosures, risk parameters and disclaimers.

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EXECUTIVE SUMMARY

Target Price	**$1.25**
Current Price	$0.65
Return	92%
52-Week High / Low	$0.77 / $0.36
Shares O/S	119.5 million (basic)
Market Capitalization	$78 million
Daily Volume (3-month average)	150K
President and CEO	Glenda Dorchak
Company Web Site	www.intrinsyc.com

Revisions, Date of Record·
Target: $1.25 – November 6, 2007, Initiating Coverage

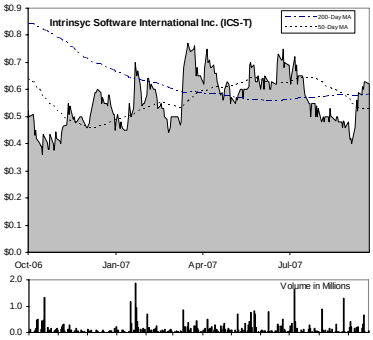
Rating:
SECTOR OUTPERFORM

Risk Profile	**Speculative**
Forecast Risk	High
Financial Risk	High
Valuation Risk	High

Industry – Software / Mobile Operating Systems

Company Profile – Intrinsyc is a leader in software and services that enable next-generation handheld and embedded products, including mobile handsets, smart phones and converged devices. The company is a Microsoft Windows Embedded Gold Partner, the 2007 Windows Embedded Excellence Award winner for System Integrator, and a Symbian Platinum Partner.

Price Performance



Source: Bloomberg

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Intrinsyc Software International Inc.

Rating: Sector Outperform
Target: $1.25

Price: $0.65
Market Cap. ($M): $78
Ticker: ICS-T

Company Description - Intrinsyc is a leader in software and services that enable next-generation handheld and embedded products, including mobile handsets, smart phones and converged devices.

Investment Brief - The company's mobile software products, engineering services, and years of expertise help OEMs, service providers, and silicon providers deliver compelling wireless products with faster time-to-market and improved development cost. Intrinsyc is a Microsoft Windows Embedded Gold Partner, the 2007 Windows Embedded Excellence Award winner for System Integrator, and a Symbian Platinum Partner.

Catalysts - Continued design wins, two have been announced so far, should drive royalty revs.

Risks - Handset mftrs and OEMs decide not to go with Windows CE platform; slow shipments delay royalty stream.

Financial Forecasts

FY-end Aug-31	2005A	2006A	2007E	2008E	2009E	Q3/2007A	Q4/2007E	Q1/2008E	Q2/2008E
Revenues ($mlns)	18	19	20	23	47	5	4	5	5
Rev. Growth %	*16%*	*6%*	*5%*	*19%*	*105%*		*-15%*	*25%*	*1%*
Consensus Revenue Est. ($mlns)	-	-	*20*	*25*	*46*	*5*	*4*	*5*	*5*
3 months ago.	-	-	*20*	*26*	*47*	*4*	*5*	*5*	*6*
EBITDA ($mlns)	(4)	(14)	(14)	(13)	(6)	(4)	(3)	(3)	(3)
EBITDA Growth %	*-146%*	*-259%*	*0%*	*7%*	*53%*		*22%*	*-5%*	*-2%*
Consensus EBITDA Est. ($mlns)	-	-	*(15)*	*(15)*	*(9)*	*(4)*	*(5)*	*(4)*	*(4)*
3 months ago.	-	-	*(15)*	*(15)*	*(9)*	*(5)*	*(4)*	*(4)*	*(4)*
EPS (FD) ($)	(0.09)	(0.24)	(0.13)	(0.11)	(0.05)	(0.05)	(0.02)	(0.03)	(0.03)
EPS Growth %	*-23%*	*-165%*	*46%*	*19%*	*49%*		*50%*	*-7%*	*-3%*
Consensus EPS Est. ($)	-	-	*(0.18)*	*(0.12)*	*(0.03)*	*(0.04)*	*(0.04)*	*(0.04)*	*(0.04)*
3 months ago.	-	-	*(0.18)*	*(0.12)*	*(0.03)*	*(0.04)*	*(0.04)*	*(0.04)*	*(0.03)*
Net Profit ($mlns)	(5)	(16)	(15)	(13)	(7)	(4)	(3)	(3)	(3)
Net Profit Growth %	*-61%*	*-229%*	*5%*	*17%*	*49%*		*35%*	*-7%*	*-3%*
Consensus Net Profit Est. ($mlns)	-	-	*(18)*	*(17)*	*(12)*	*(4)*	*(5)*	*(4)*	*(4)*
3 months ago.	-	-	*(18)*	*(16)*	*(11)*	*(5)*	*(4)*	*(4)*	*(4)*

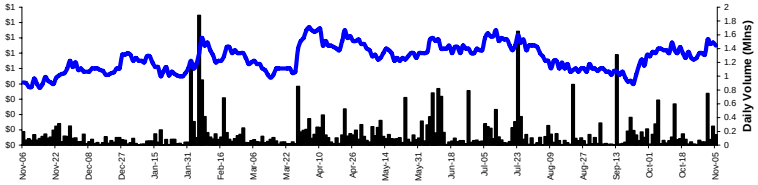
*All consensus numbers are from Capital IQ.

Key Statistics

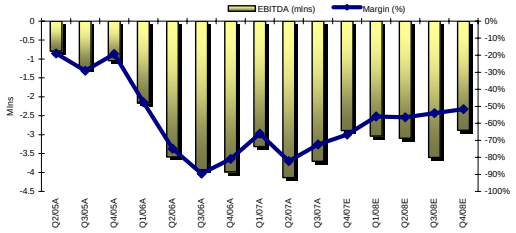
Current Price		*$0.65*
1-Yr. Expected Total Return		*92.3%*
52wk Hi / Lo	*$0.77*	*$0.36*
Shares O/S (mlns)		
Basic		*120*
F.D.		*149*
Float		*117*
Options (2006 Fiscal Year-End)		
Avg. Strike / Basic	*$0.97*	*4.73 M*
Warrants (2006 Fiscal Year-End)		
Avg. Strike / Basic	*$0.95*	*0.10 M*
Dividend Yield		*0.0%*
Short Interest		*0.0%*
Short Interest % of Float		*0.0%*
Daily Volume (3-Mth. Avg. mlns)		*0.15*
Market Cap. (mlns)		*78*
Enterprise Value (mlns)		*56*
Cash (mlns)		*21*
Debt (mlns)		*0*
Net Cash / Share		*$0.18*
Tang. Book Value / Share		*$0.19*
Company CEO		*Glenda M. Dorchak*
Company Website		*www.intrinsyc.com*
Top Holders:		
1) Gruber & McBaine Cap.		*4.18%*
2) Sprott Asset Management		*3.23%*
3) Northwest Mutual		*1.29%*
Ownership:		
Management Control (Proxy/Bloomberg)	*1.66 M*	*1.39%*
Last Financing:		
Equity Offering	*May 2007 - 33.3M @ $0.60*	
Prior Equity Offering	*March 2006 - 24.2M @ $0.90*	

Valuation Metrics	2005	2006	2007	2008
Trailing EV/EBITDA	*5.0x*	*2.5x*		
Est. Fwd EV/Sales		*3.2x*	*3.2x*	*1.6x*
Trailing P/E	*NM*	*NM*		
Est. Fwd P/E		*NM*	*NM*	*NM*
Current, 1-Year, 2-Year				
DCF Target		*$1.20*	*$1.15*	*$1.32*

Analyst Ratings: Capital IQ	Potential Upside
Average Target	*$1.28* *97%*
Median Target	*$1.15* *77%*
Sector Outperform	*3*
Sector Perform	*0*
Sector Underperform	*0*
# of Analysts	*3*



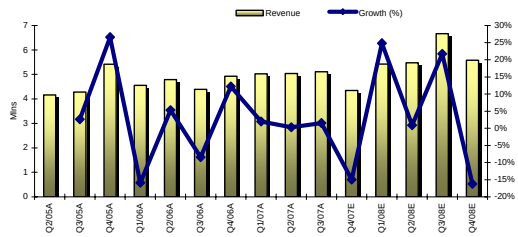
Quarterly EBITDA & Margin



Comparables	Stock Price		Pot.	EV/EBITDA		EBITDA Margin		P/E		EV/Sales	
	Nov 05	Target	Return	2007	2008	2007	2008	2007	2008	2007	2008
Intrinsyc Software Internatior	*0.65*	*1.25*	*92%*	*NM*	*NM*	*-70%*	*-55%*	*NM*	*NM*	*3.2x*	*3.2x*
Research In Motion Ltd.	*127.97*	*121.51*	*-5%*	*44.7x*	*27.7x*	*31%*	*32%*	*69.0x*	*42.9x*	*13.9x*	*8.8x*
Infowave Software Inc.	*0.09*	*0.00*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*
Enghouse Systems Ltd.	*7.50*	*8.73*	*18%*	*5.7x*	*NM*	*26%*	*NM*	*23.4x*	*NM*	*1.5x*	*NM*
OceanLake Commerce Inc.	*0.28*	*0.00*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*
Digital Dispatch Systems Inc.	*2.80*	*2.25*	*-20%*	*19.0x*	*13.1x*	*6%*	*8%*	*NM*	*35.0x*	*1.2x*	*1.1x*
AirIQ Inc.	*0.12*	*0.27*	*135%*	*NM*	*4.2x*	*-12%*	*11%*	*NM*	*NM*	*0.4x*	*0.5x*
Palm, Inc.	*9.00*	*10.10*	*12%*	*4.4x*	*6.0x*	*5%*	*4%*	*23.7x*	*105.8x*	*0.2x*	*0.2x*
Average				*18.4x*	*12.7x*	*-2%*	*0%*	*38.7x*	*61.2x*	*3.4x*	*2.8x*

*All consensus numbers are from Capital IQ.

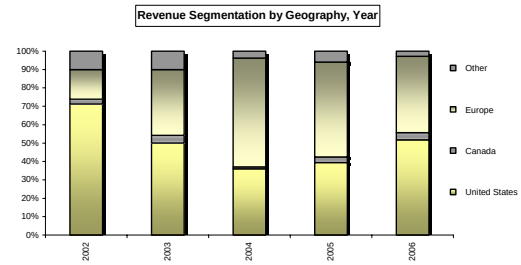
Quarterly Revenue & Growth



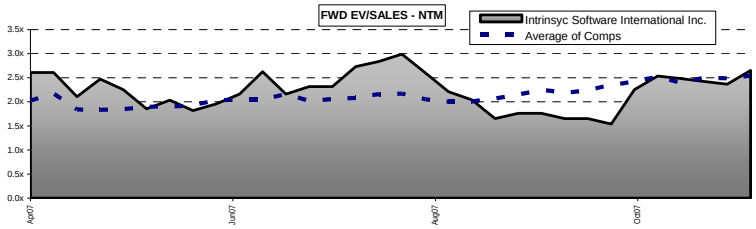
Historical Multiple Averages			Returns %		EPS Growth		Sales Growth	
3-Yr Avg.	NTM EV/EBITDA	TTM EV/EBITDA	Last 3mths.	YTD	2007	2008	2007	2008
Intrinsyc Software Internatior	*-3.1x*	*-8.5x*	*12%*	*12%*	*-46%*	*-19%*	*5%*	*19%*
Research In Motion Ltd.	*19.5x*	*28.4x*	*76%*	*175%*	*37%*	*130%*	*40%*	*89%*
Infowave Software Inc.	*NM*	*-2.0x*	*-70%*	*-85%*	*-64%*	*NM*	*117%*	*NM*
Enghouse Systems Ltd.	*7.3x*	*7.2x*	*-3%*	*-6%*	*31%*	*-13%*	*11%*	*-3%*
OceanLake Commerce Inc.	*NM*	*-9.7x*	*-31%*	*-39%*	*5%*	*NM*	*NM*	*NM*
Digital Dispatch Systems Inc.	*9.2x*	*-4.6x*	*23%*	*1%*	*15%*	*-105%*	*-13%*	*-1%*
AirIQ Inc.	*-28.1x*	*-11.0x*	*-45%*	*-23%*	*-52%*	*-47%*	*1%*	*-30%*
Palm, Inc.	*7.8x*	*6.8x*	*-36%*	*-45%*	*-72%*	*-53%*	*9%*	*-1%*
Average	2.1x	0.8x	*-9%*	*-1%*	*-18%*	*0%*	*24%*	*12%*

*All consensus numbers are from Capital IQ.

Revenue Segmentation by Geography, Year



FWD EV/SALES - NTM



Source: Capital IQ, Haywood Securities

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INVESTMENT THESIS

Soleus is a comprehensive software platform (based on Windows CE) and includes a high-level operating system (HLOS), an application suite, a pre-certified telephony stack, and sophisticated user interface-generation tools. Soleus' modular architecture speeds up the development process, provides a reusable platform, allows higher degree customization, and lowers the manufacturer's bill of materials (BOM).

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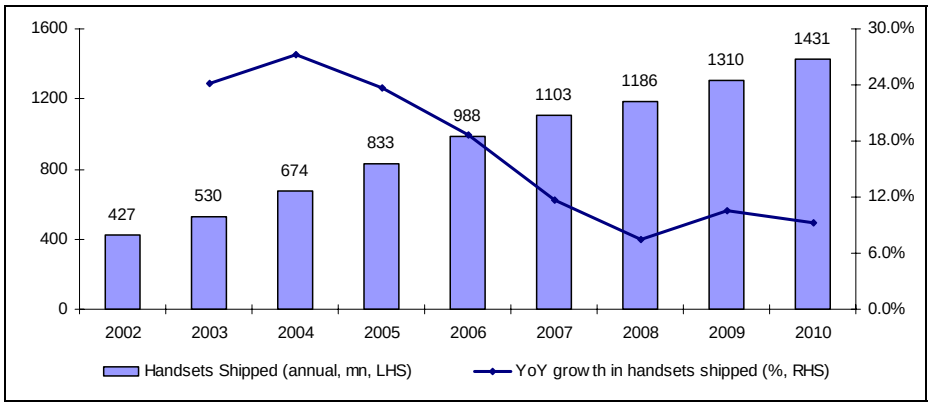
Gartner forecasts 2010 global handset shipment volume at 1.4 billion units, more than triple the 427 million units in 2002. The growth is fuelled by increasing mobile penetration in emerging economies, growth in replacement demand, and competition among manufacturers to launch new designs.

Global Handset Market

Mobile handset shipment volume to increase to 1.4 billion units by 2010



Source: Samsung

Feature phone to be an 890 million-units-per-annum market by 2010

Within the mobile phone market, feature phones (Intrinsyc's target segment) have evolved as the biggest segment, and in 2006, contributed approximately 60% of global sales (587 million units)[1]. Intrinsyc's management expects feature phones to continue to lead global sales and constitute approximately 60% to 65% of the market in 2008. Assuming that a share of 62% in 2008 transforms into a potential annual market of approximately 730 million units for Intrinsyc, and extrapolating this trend to 2010, puts the total feature phone shipments at approximately 890 million units, reflecting a compound annual growth rate (CAGR) of approximately 11% since 2005.

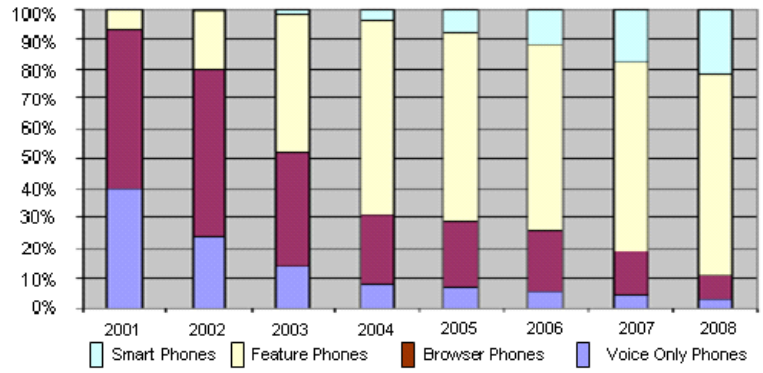
Feature Phone Sensitivity Analysis

Sensitivity Analysis: Number of feature phone units sold (in million)				
	2007E	2008E	2009E	2010E
Number of mobile handsets shipped	1103	1186	1310	1431
Feature phone, as percent of total sales	Feature phone market			
60	662	712	786	859
62	684	735	812	887
65	717	771	852	930

Source: Company reports

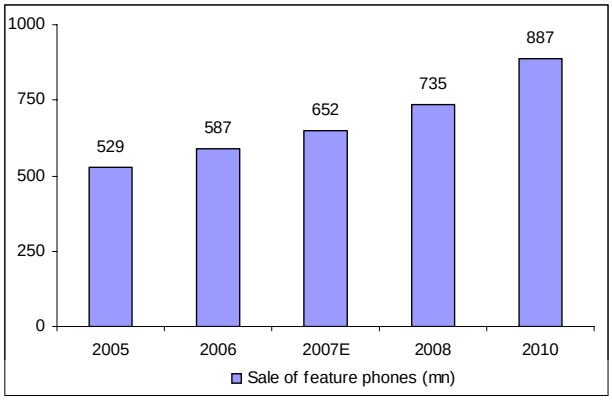
[1] Company Reports

Handset Type Market Share



Source: Company filings

Growth in Feature Phone Market



Source: Haywood Securities and Company filings

We have done a sensitivity analysis on the potential of Soleus to affect Intrinsyc's revenue for FY2010, assuming different penetration rates and average selling price (ASP) per unit. We assumed the feature phone market to be 890 million units per annum, and varied the ASP from $2.00 to $4.00, and market share from 1% to 5%. At an ASP of $3 per unit and a market share of 3%, Soleus can add approximately $80 million to Intrinsyc's top line in 2010, 4 times its trailing twelve months (TTM) revenue.

Soleus Sensitivity Analysis

Sensitivity Analysis: Intrinsyc's Revenue in 2010 from Soleus						
		Market Share (%)				
		1.00%	2.00%	3.00%	4.00%	5.00%
ASP per Unit	$2.00	17.80	35.60	53.40	71.20	89.00
	$2.50	22.25	44.50	66.75	89.00	111.25
	$3.00	26.70	53.40	80.10	106.80	133.50
	$3.50	31.15	62.30	93.45	124.60	155.75
	$4.00	35.60	71.20	106.80	142.40	178.00

Source: Haywood estimates

FINANCIALS

Intrinsyc reported Q3/07 revenue of $5.1 million, +16% year over year, driven mainly by additional progress made on several significant engineering services agreements, including a project with a tier one original equipment manufacturer (OEM). Gross margin improved during the quarter to 52%, versus 49% in Q2/07 and 35% in Q3/06.

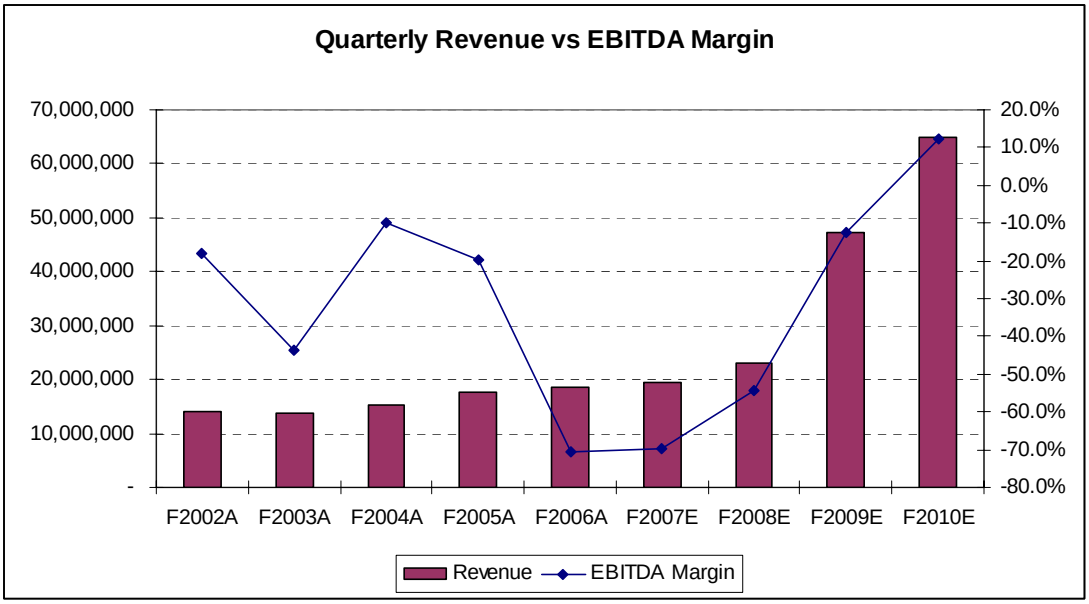
During Q3/07, Intrinsyc completed an equity offering for total net proceeds of C$18.2 million. The net proceeds from this offering will be used for working capital, general corporate purposes, and funding marketing and research and development initiatives related to the Soleus business.

The Company may need to issue equity if they decide to do acquisitions to add technology to their solution stack.

Cash used in operations was $2.7 million, with end of Q3/07 cash on the balance sheet of C$21.4 million (does not include the $1.8 million received from the exercise of the overallotment option of the above-mentioned offering). We believe that Intrinsyc will continue to burn through cash until they become cash flow positive in Q4/09. At that point they should exit FY2009 with $3.2 million in cash. The Company may need to issue equity if they decide to do acquisitions to add technology to their solution stack.

Intrinsyc reports Q4/07 results on November 8, 2007. We are looking for revenue of $4.3 million (consensus: $4.4 million) and EPS of ($0.02) (consensus: ($0.04)).

Intrinsyc Software – Will Soleus Deliver Revenue Growth and Margins?



Source: Company data and Haywood estimates

VALUATION AND TARGET PRICE

We believe that Intrinsyc can reach $65 million in revenue, with $8 million in EBITDA, by the end of the 2010 fiscal year. Achieving these levels would yield $0.06 in EPS and a blended DCF-based value of $1.25.

Intrinsyc Software – Discounted Cash Flow Analysis

Intrinsyc Software (FY Aug)	F2006A	F2007E	F2008E	F2009E	F2010E
Discounted Cash Flow Analysis	**Aug-06**	**Aug-07**	**Aug-08**	**Aug-09**	**Aug-10**
Revenue ($)	18,657,717	19,514,533	23,143,516	47,377,704	64,825,333
Revenue growth	*6.4%*	*4.6%*	*18.6%*	*104.7%*	*36.8%*
EBITDA ($)	(13,184,492)	(13,611,537)	(12,616,393)	(5,929,480)	8,003,493
EBITDA Margin	*-70.7%*	*-69.8%*	*-54.5%*	*-12.5%*	*12.3%*
Amortization ($)	1,061,174	794,172	706,488	505,049	584,774
EBIT ($)	(14,245,666)	(14,405,709)	(13,322,882)	(6,434,530)	7,418,719
NOPAT [EBIT * (1 - effective tax rate)]	(14,360,112)	(14,650,472)	(13,322,882)	(6,434,530)	7,418,719
Plus Amortization ($)	1,061,174	794,172	706,488	505,049	584,774
Less Capital Expenditures ($)	(784,969)	(453,768)	(462,870)	(758,043)	(777,904)
Capital Intensity	4.2%	2.3%	2.0%	1.6%	1.2%
Net Working Capital Changes	923,205	(393,774)	409,149	3,112,071	(1,263,232)
Unleveraged Free Cash Flow ($)	**(13,160,702)**	**2,658,777**	**(12,670,115)**	**(3,575,452)**	**5,962,358**
PV of Unleveraged FCFs ($)		2,693,201	(11,950,498)	(3,140,796)	4,877,868
Valuation Assumptions:					
Discount Rate	7.4%				
Terminal EV/Revenue Multiple	2.5				
DCF Implied Valuations	**EV/SALES**	**2007**	6.4	**2008**	5.7
Terminal FCF Multiple	**FCF**	**2009**	18.5		

Valuation Analysis:	Current	1-Yr Target	2-Yr Target	3-Yr Target
Total PV of FCFs ($)	(7,520,225)	(10,966,503)	2,002,678	7,380,880
Terminal Value ($)	162,063,333	162,063,333	162,063,333	162,063,333
PV of Terminal Value ($)	132,585,736	142,361,813	152,858,719	164,161,597
Net (Debt) cash Position	18,315,299	6,512,423	3,185,208	9,472,984
Total Value ($)	143,380,810	137,907,733	158,046,605	181,015,461
DCF Value/Share	1.20	1.15	1.32	1.51
Fully Diluted Shares O/S (incl. options)	119,429,269	119,493,436	119,493,436	119,493,436

Source: Company data and Haywood estimates

We are initiating coverage of Intrinsyc Software International with a SECTOR OUTPERFORM rating and a blended DCF-based $1.25 target price. Although we are in-line with consensus estimates for 2008 and 2009, we are slightly more bullish for 2010.

From a valuation perspective, Intrinsyc is trading at a discount to the Haywood Global Software Universe based on our CY2009 estimates (EV/Sales of 1.6x versus 3.5x). The situation should remedy itself throughout the second-half of fiscal 2008 as the Company's customers start shipping devices with the Soleus platform integrated. Our blended DCF-based target of $1.25 yields a CY2009 valuation of 3.1x EV/Sales.

Haywood Global Software Universe – Comparable Valuations

GLOBAL SOFTWARE	Ticker	Rating	Trdg Curr	Price 5-Nov-07	Consensus Target	Pot. Return	% of 52 week Low	% of 52 week High	Mkt. Cap. (US$mm)	Revenue (US$mm) CY07E	Revenue (US$mm) CY08E	EPS (US$) CY07E	EPS (US$) CY08E	P/E CY07E	P/E CY08E	EV/Sales CY07E	EV/Sales CY08E	EV/EBITDA CY07E	EV/EBITDA CY08E
Microsoft Corporation	MSFT	NR	USD	36.73	39.52	8%	138%	98%	343,625	55,268	62,435	1.62	1.91	22.7	19.2	5.9	5.2	14.4	13.2
Oracle Corp.	ORCL	NR	USD	22.07	24.58	11%	138%	96%	113,027	20,103	22,489	1.13	1.30	19.5	17.0	5.5	5.0	12.6	11.0
SAP AG	SAP	NR	EUR	36.61	43.88	20%	112%	85%	63,880	14,957	16,516	2.33	2.69	22.7	19.7	4.0	3.6	13.6	12.0
VMware, Inc.	VMW	NR	USD	112.55	108.33	-4%	234%	90%	43,100	1,328	2,037	0.79	1.14	NMF	NMF	NMF	NMF	NMF	NMF
Adobe Systems Inc.	ADBE	NR	USD	47.70	50.50	6%	128%	98%	27,370	3,131	3,526	1.59	1.81	30.0	26.4	8.1	7.2	20.5	18.3
Symantec Corporation	SYMC	NR	USD	18.36	23.45	28%	113%	84%	15,880	5,667	6,006	1.13	1.24	16.2	14.8	2.8	2.7	9.5	8.8
CA, Inc.	CA	NR	USD	26.88	28.79	7%	126%	94%	13,857	4,124	4,290	1.03	1.14	26.1	23.6	3.6	3.4	13.5	11.1
Autodesk Inc.	ADSK	NR	USD	48.10	51.44	7%	141%	94%	11,144	2,151	2,455	1.89	2.24	25.4	21.5	4.8	4.2	16.2	13.7
VeriSign Inc.	VRSN	NR	USD	32.40	33.73	4%	155%	91%	7,306	1,500	1,662	1.02	1.35	31.8	24.0	4.4	4.0	14.5	11.7
Dassault Systemes SA	ENXTPA:DSY	NR	EUR	42.63	47.49	11%	115%	85%	7,201	1,863	2,041	2.89	3.24	21.3	19.0	3.7	3.3	12.7	11.3
Citrix Systems, Inc.	CTXS	NR	USD	43.22	46.05	7%	166%	99%	7,769	1,373	1,615	1.54	1.63	28.1	26.5	5.1	4.4	18.4	16.2
Sage Group plc	LSE:SGE	NR	GBP	2.39	2.70	13%	109%	85%	6,486	2,467	2,618	0.29	0.33	17.1	14.9	3.1	2.9	11.7	10.7
BMC Software Inc.	BMC	NR	USD	33.22	34.28	3%	134%	90%	6,679	1,644	1,714	1.68	1.87	19.8	17.8	3.2	3.1	10.2	9.0
McAfee Inc.	MFE	NR	USD	40.17	42.14	5%	145%	96%	6,408	1,292	1,419	1.73	1.88	23.2	21.4	4.3	3.9	14.4	13.1
BEA Systems Inc.	BEAS	NR	USD	16.85	16.75	-1%	160%	89%	6,605	1,503	1,638	0.57	0.64	29.6	26.0	3.9	3.5	19.6	16.9
Salesforce.com	CRM	NR	USD	52.57	56.32	7%	148%	91%	6,140	737	1,018	0.10	0.29	NMF	NMF	7.9	5.7	NMF	NMF
Business Objects SA	BOBJ	NR	USD	59.90	56.22	-6%	178%	99%	5,841	1,495	1,706	1.95	2.36	30.7	25.4	3.7	3.2	18.7	15.6
Cognos Inc.	COGN	NR	USD	49.98	51.23	3%	141%	96%	4,164	1,051	1,176	1.95	2.33	25.6	21.5	3.5	3.2	17.4	15.0
Autonomy Corp. plc	LSE:AU	NR	GBP	10.26	19.12	86%	214%	95%	4,491	707	984	0.79	1.14	27.0	18.7	NMF	9.4	NMF	24.5
Misys plc	LSE:MSY	NR	GBP	2.40	2.34	-3%	122%	90%	2,404	1,416	1,100	0.27	0.27	18.5	18.5	1.9	2.5	13.5	14.1
Sybase, Inc.	SY	NR	USD	27.99	31.92	14%	128%	98%	2,522	1,017	1,084	1.65	1.84	17.0	15.2	2.3	2.1	7.8	7.3
Ansys, Inc.	ANSS	NR	USD	41.20	42.86	4%	192%	99%	3,203	379	436	1.24	1.43	33.2	28.8	8.4	7.3	19.0	16.9
Parametric Technology Corp.	PMTC	NR	USD	19.41	23.13	19%	124%	89%	2,229	959	1,037	1.03	1.16	18.8	16.7	2.1	1.9	11.0	8.3
Tibco Software Inc.	TIBX	NR	USD	8.61	8.83	3%	124%	82%	1,641	566	636	0.35	0.42	24.6	20.5	2.6	2.3	12.5	10.8
Lawson Software, Inc.	LWSN	NR	USD	10.91	12.93	19%	165%	96%	1,944	804	865	0.29	0.42	37.6	26.0	2.1	2.0	15.4	12.2
Informatica Corp.	INFA	NR	USD	16.52	18.40	11%	140%	95%	1,455	386	445	0.72	0.74	22.9	22.3	3.2	2.8	20.0	15.2
MicroStrategy Inc.	MSTR	NR	USD	99.60	105.00	5%	164%	75%	1,211	357	398	4.83	5.88	20.6	16.9	3.2	2.9	11.5	10.2
Open Text Corp.	OTEX	NR	USD	35.10	32.61	-7%	201%	96%	1,776	667	710	1.75	2.01	20.1	17.5	3.0	2.8	12.3	10.7
Concur Technologies, Inc.	CNQR	NR	USD	33.89	35.09	4%	236%	94%	1,451	143	204	0.37	0.51	NMF	NMF	NMF	7.1	NMF	NMF
Epicor Software Corp.	EPIC	NR	USD	11.56	15.33	33%	106%	74%	675	421	459	0.84	0.97	13.8	11.9	1.7	1.5	9.0	7.8
Manhattan Associates, Inc.	MANH	NR	USD	28.83	33.70	17%	123%	91%	741	341	372	1.33	1.51	21.7	19.1	1.9	1.8	11.2	9.5
MSC Software Corp.	MSCS	NR	USD	13.28	14.00	5%	116%	83%	585	242	263	0.01	0.27	NMF	NMF	1.9	1.8	NMF	13.1
JDA Software Group Inc.	JDAS	NR	USD	25.23	27.00	7%	190%	99%	755	367	384	1.34	1.49	18.8	16.9	2.3	2.2	9.6	9.1
										130,426	**145,738**			**Mean**		**23.6x**	**20.3x**	**3.8x**	**3.7x**	**13.9x**	**12.6x**
											11.7%			**Median**		**22.7x**	**19.2x**	**3.4x**	**3.2x**	**13.5x**	**11.8x**

Source: Capital IQ, Haywood estimates

RISKS

We believe that Intrinsyc Software faces the following risks:

1. **Competition – Partners Could Become Competitors**
   In the development of the Soleus platform, Intrinsyc partnered with both Microsoft and Symbian. Both could add features to their respective operating systems and application product offerings that could directly compete with Intrinsyc's.

2. **Customer Concentration**
   During the 3 months ended February 28, 2007, approximately 49% of the Corporation's consolidated revenue was attributable to its two largest customers. The inability to continue to secure and maintain a sufficient number of large contracts would impact financial results.

3. **Sales and Marketing and Strategic Alliances**
   In order for the Soleus platform to succeed, the Company must continue to expand its sales and distribution channels and its marketing and technology alliances.

4. **Length of Sales Cycle**
   The typical sales cycle of the Corporation's products and services is lengthy (generally between 6 and 9 months) and unpredictable.

5. **Competition**
   Both Google and eBay (Skype) are looking to establish themselves in the mobile operating system market.

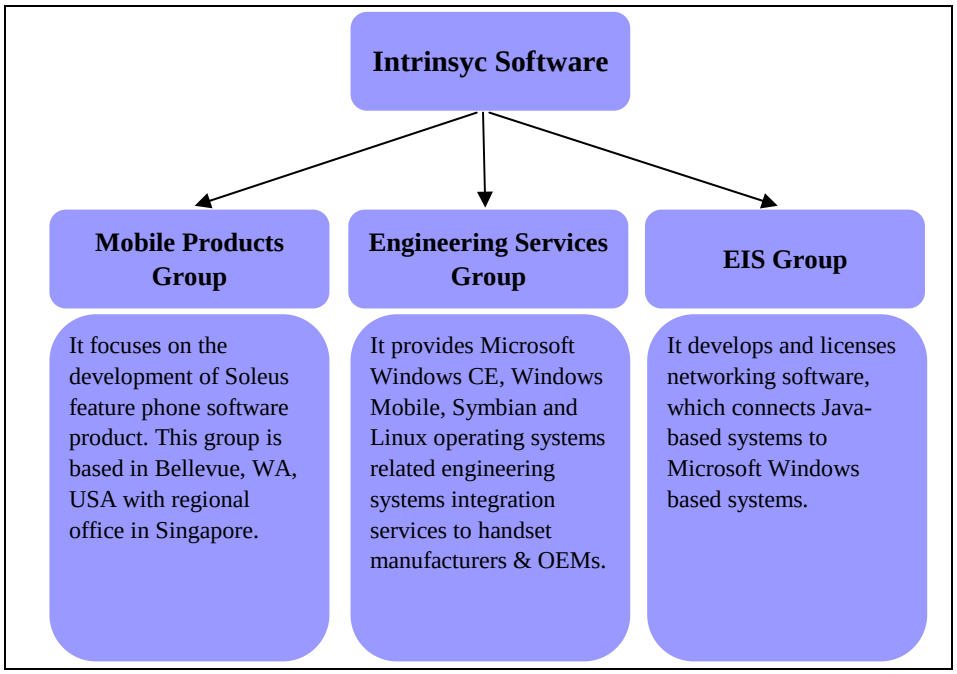
6. **Acquisitions**
   Intrinsyc may acquire small technology companies to integrate their products into the Soleus stack. These deals could pose some integration risk.

COMPANY OVERVIEW

Headquartered in Vancouver, Canada, Intrinsyc Software is a global mobility software and services company offering systems integrations services and licensable software products developed in-house. These products are services are targeted to the thriving wireless handheld products market, which includes consumer mobile handsets, personal navigation devices, smartphones, industrial handhelds, and other consumer converged devices. The Company's software and services enable customers to identify, create, and deliver wireless products with faster time-to-market at a lower development cost.

At present, the Company operates primarily as two businesses: the wireless systems engineering business and the mobility software business. To date, the wireless systems engineering group has been the major source of Company revenue. However, the mobility software business is expected to become the primary source of Company revenue in the future, and has developed Soleus, a consumer software product for wireless and handheld devices. In addition, the Company also has a legacy business: Enterprise Interoperability Solutions that licenses networking software, accounting for a small portion of the Company's overall revenue. At present, the Company has offices in United States, Canada, Taiwan, and the U.K., and employs approximately 225 people, of whom approximately 75% are engaged in development or engineering.

Mobile Software Business – Supported by Wireless Systems



Source: Company data

Background

Intrinsyc was founded in 1992 under the name of I.T.C. Micro Components Inc. On June 16, 1997, the name was changed from I.T.C Microcomponents to Intrinsyc Software Inc., and finally to Intrinsyc Software International, Inc. on May 1, 2003. The Company went public in 1996.

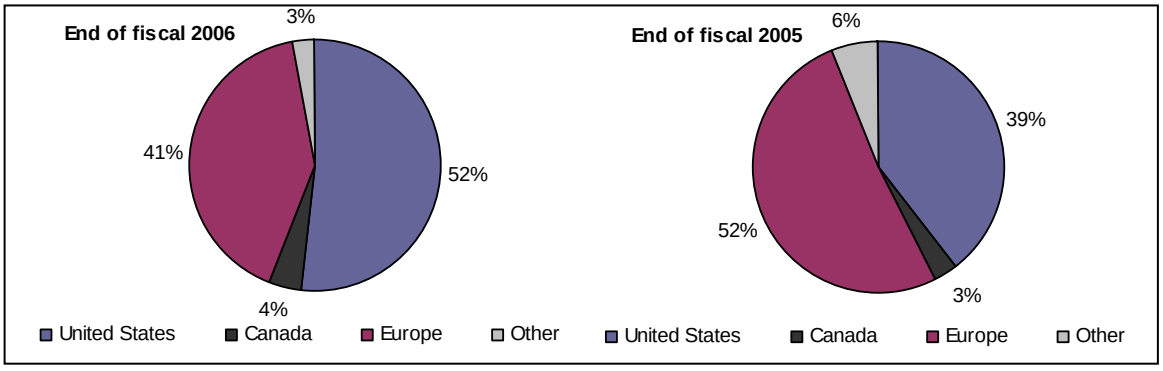
Initially, the Company provided engineering services specializing in embedded systems. However, over the years, it has gained expertise in telephony, power management, and integration services, and is now widely acclaimed for its engineering capabilities. In 2004, the firm shifted its strategic focus towards developing a software-based business model by leveraging its engineering capabilities. Since then, the Company has allocated huge financial resources and research and development (R&D) efforts towards the development of a platform-based mobile operating system (a mobile software product) for feature phones. Eventually, in late 2006, the Company successfully developed Soleus, a Windows CE-based operating system platform. In early 2007, the firm commercially launched its high-level operating system (HLOS)—Soleus.

Operations

The firm sells its products through a global sales and marketing team that is spread across the United States, U.K., Taiwan, and Canada. Additionally, the firm has research and development centers at Bellevue, Washington (United States), Birmingham (U.K.), Barbados, and Taiwan. Recently, the Company restructured its Asian operations by closing its Singapore operation and establishing an operation in Taiwan. The research and development centre located in Bellevue, United States, is used solely for the product development activities of Soleus.

At the end of fiscal 2006, the revenue profile for Intrinsyc Software was: United States (52%), Canada (4%), Europe (41%), and other (3%). This profile differed largely from its revenue breakdown in fiscal 2005, which was 39%, 3%, 52%, and 6% respectively. It is be noted that although most of this revenue comes from the Company's foundation business, i.e., engineering services revenue, the Company believes that Soleus is going to be its key revenue generator in future.

Segmented Revenue



Source: Company data

Business Segments

As mentioned earlier, the Company operates primarily as two businesses: the wireless systems engineering group and the mobility software business. In addition, the Company also has a legacy business called Enterprise Interoperability Solutions. A brief description of each follows:

Wireless Systems Engineering Business

The wireless systems engineering business is managed by the corporation's Engineering Services Group and accounts for most of the Company's revenue. It offers services in the areas of wireless and handheld product development, a silicon vendor platform, software provider product development, and carrier product customization and enablement. It started as a general engineering service business but recently has begun focusing on wireless systems engineering services, increasing profit and revenue for the Company. Over time, it has also developed expertise in enterprise smartphone engineering, telephony, power management, and Board Support Package, and works on most key high-level operating systems currently in the market for mobility products, such as Microsoft, Windows CE, Windows Mobile, Symbian, and Mobile Linux. The key engineering services offered by the business include the following:

- Developing and certifying board support packages (BSPs) used by customers (OEMs, Silicon vendors, etc.) to install software solutions on chips or processors
- Developing turnkey designs, product testing, and undertaking product certification for OEMs developing devices based on different platforms (viz. Windows Mobile, Windows CE, and Symbian)
- Telephony integration of products using 2G and 3G networks
- Improving the power management capabilities of designs.

The Company's impressive track record and service offerings have helped it in forging strong business relationship with leading OEMs (such as Motorola, Nokia, and Palm), Silicon vendors (such as Texas Instrument, Freescale Semiconductors, and Marvell Technology), operating system vendors (such as Symbian and Microsoft Mobile), and wireless service providers (such as BT and Sprint Nextel).

According to a recent Company presentation, this business has been growing at a CAGR of 10%. The primary engineering operations are in Vancouver, Canada, with a regional office based in Birmingham, England.

Mobility Software Business

The mobile software business has been responsible for the development of Soleus, a consumer software product for wireless and handheld devices since 2004. In December 2006, after 2 years of research and development and approximately $20 million of investment, the Company announced the production release of Soleus Version 1. The Company expects this product to be its key revenue driver and to generate revenue through software licensing agreements with OEMs from initial site licensing, annual support and maintenance, and royalties generated on a per-unit-shipped basis. Revenues for this new business have begun in 2007, based on a recently signed licence agreement announced on March 27, 2007.

Soleus is a comprehensive software platform and includes a high-level operating system (HLOS), an application suite, a pre-certified telephony stack, and sophisticated user interface-generation tools. Management claims that the modular architecture of Soleus speeds the handset design development process, provides a reusable platform, allows a higher degree of customization, and lowers the manufacturer's bill of materials (BOM). Soleus is also the first Windows CE-based platform, and management expects that this factor will make Soleus the preferred choice for

OEMs already using Windows-based applications. (A more detailed description is available in the Industry section.)

The mobility software business operations are based in Bellevue, Washington, as that city allows for convenient co-location and collaborations with Microsoft. The business also gets additional development support from Vancouver, Canada.

Enterprise Interoperability Solutions (EIS)

EIS is the legacy business that sells networking software that bridges Microsoft Windows systems to Java-based systems. It also provides product support and integration services to software vendors and other end-users. However, management is not focusing on this business, as the market has matured and demand for interoperability software solutions is declining.

Go-to-Market Strategy

Intrinsyc's go-to-market strategy is built on its operating system Soleus being complementary to Windows-based offerings and in direct competition with Linux-based software products. Intrinsyc markets its Soleus product through both direct sales engagements with handset original equipment manufacturers (OEMs) and strategic relationships with wireless silicon technology vendors. The product is targeted towards the growing consumer handheld market, and management finds it particularly beneficial for the following four segments of the mobile device market.

1. **Manufacturers of Microsoft's Windows CE platform-based handheld device manufactures looking to add wireless connectivity to their platform**
   Products in this segment include Personal Navigation Devices, Mobile Digital TVs from OEMs such as Dell, HP, and Mio. We believe that these OEMs find Soleus beneficial, as it offers them the ability to add wireless connectivity at a fairly low cost. Furthermore, we believe that Soleus' being based on Windows also adds to the advantage.
2. **Existing Windows Mobile-based smartphone manufacturers looking to expand downstream to address the mass consumer handset market**
   Since Soleus is based on Microsoft Windows CE, and the development environment is the same as Windows Mobile, we believe the Soleus platform would be considered more favourably than other operating system options available in the market. The familiarity of OEMs and original device manufacturers (ODMs) with the development environment would allow the Company to reuse its investment, and hence lead to lower development costs and faster time to market.
3. **ODMs and design houses that want to supply handsets to wireless carriers**
   We believe the wireless carriers' move to offering self branded services and handsets requires them to have the ability to develop additional consumer applications and services, as well as to customize their interface. Through its Soleus platform, Intrinsyc aims to meet this need, as Soleus is developed on a Microsoft platform, which is trusted by operators, and provides the additional flexibility to add applications and customize the user interface.
4. **Traditional OEMs and ODMs using Linux Mobile**
   We believe Soleus offers several advantages over traditional Linux-based operating systems. The most prominent is that the Soleus operating system provides the manufacturer with access to both the Microsoft 'eco system' and the large development community.

In addition, to OEMs and ODMs, the Company also partners with silicon vendors such as **Texas Instruments, Freescale, and Marvell**. We believe that such partnership benefit Intrinsyc not only on the engineering front of Soleus but also in sales and marketing by helping the Company bring certified designs to handset manufacturers.

Intrinsyc also uses **independent software vendors (ISVs)** as a channel for distributing its Soleus product. The Company has partnered with many mobile application software providers or ISVs to supplement its Soleus core application. We believe such partnership also assists the ISVs in extending their product beyond the smartphone market based on Windows Mobile and helps them tap the feature phone market. Moreover, again since Soleus is based on Microsoft Windows CE operating systems, it is familiar to most ISVs and provides them with a development environment that improves productivity.

Finally, Intrinsyc also targets **wireless carriers**. In the past, we have seen cases where carriers have tailored their handsets for best delivery of their services. Soleus provides the carriers with tools that enable them to control customer user experience and handset branding. In addition, Soleus also simplifies the customization process of carriers by providing a simpler way to custom select the applications on a given handset.

Partnerships Secured with OEMs and ODMs….

Intrinsyc Software is growing its partnerships with the original device manufacturers (ODMs) and original equipment manufacturers (OEMs). We believe the recent design wins with Taiwanese OEMs and ODMs confirm the value proposition of Soleus. Recent customer wins are detailed below.

- On March 27, 2007, Intrinsyc announced that it had signed a licensing agreement with a leading global supplier of personal navigation devices for the development of GPS-enabled mobile phones. The OEM is expected to use the Soleus development platform to integrate telephony features into its personal navigation products along with consumer-driven features, including a camera and media player.
- On June 5, 2007, Intrinsyc announced that it had signed an agreement to license its Soleus™ software platform to a leading Taiwanese manufacturer of computer hardware and consumer electronics products. The original device manufacturer (ODM) has licensed Soleus for the development of its first combination GPS and MDTV device with mobile phone capabilities.
- On October 31, 2007, Intrinsyc announced that it had signed its third Soleus licence agreement, under which a leading global manufacturer of handheld devices will develop its second Soleus-based product (see first bullet above). The new product is a personal navigation device (PND) that will use Soleus in order to add telephony features.

Recent Developments

- On September 27, 2007, Intrinsyc announced the official opening of its Taipei, Taiwan office. The office is expected to serve as its business and engineering hub, providing local Soleus software support and wireless engineering services to Asia-Pacific customers. On the same day, the Company also announced that it had signed its first engineering services agreement in Taiwan with a leading Taiwan-based OEM of wireless handheld devices.
- On June 25, 2007, Intrinsyc previewed the Soleus software running on Microsoft Windows embedded CE 6.0 and Marvel PXA270 application processor. This demonstration was held in Berlin, Europe.
- On June 7, 2007, Intrinsyc announced the closing of partial exercise of the overallotment option granted to the underwriters. The Underwriters partially exercised the overallotment option to purchase approximately 3.1 million shares at $.60 per share.
- On May 10, 2007, Intrinsyc announced that it has closed its previously announced public offering of approximately 33.3 million common shares at an offering price per common share of C$0.60 for gross proceeds of approximately $20 million.

INDUSTRY OVERVIEW

The mobile handset industry has a very short technology life cycle, as the average life of a design is less than 2 years[2]. Consequently, manufacturers must continuously introduce new designs with better features at a fast pace. This necessity calls for flexible operating systems that help OEMs in reducing the gestation period of new designs. Vendors must, concurrently, keep strict vigil on their bill of materials (BOM) and design costs, and assure that they do not run to uneconomical proportions. These industry dynamics necessitate high-level operating systems that facilitate quick churn-out of new designs in cost-effective ways. However, the contemporary operating systems in use fall short on various counts.

Contemporary Mobile Operating Systems Fall Short on Various Counts

Real-time operating systems (RTOS) increase time to market and bills of material.

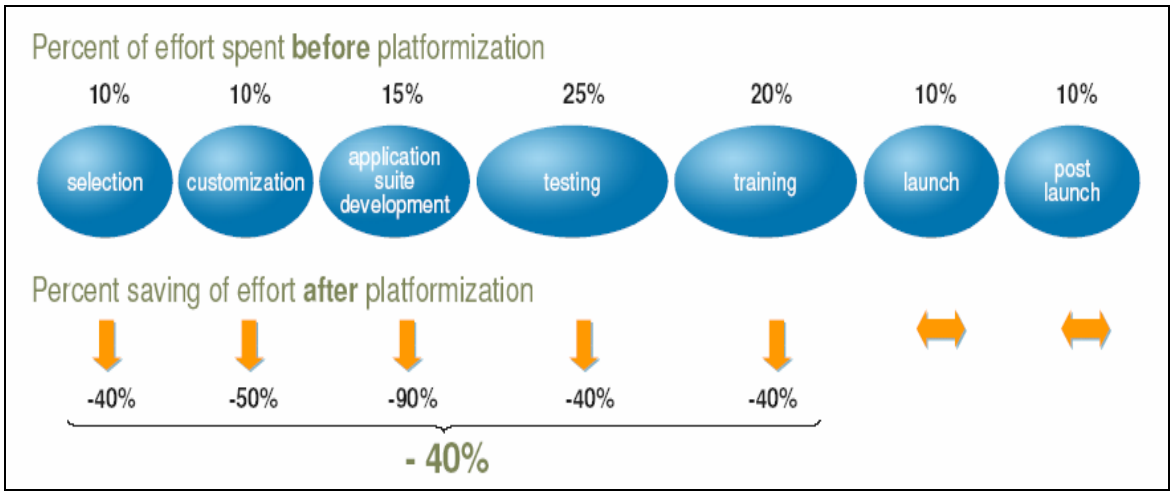
At present, most of the OEMs and OEDs rely on in-house operating systems or real-time operating systems (RTOS). Such RTOS have low operating costs but lack flexibility, as a new code must be written for every design to be introduced, thus increasing the time to market and cost of designing.

Further, RTOS have limited processing power. However, new multimedia features require high processing power. Consequently, manufacturers must spend considerably on fine-tuning their respective RTOS to support new features, which again increases their cost and time to market.

Moreover, wireless carriers introduce new services (e.g., 3G services) from time to time to increase their respective average revenue per unit (ARPU). These next-generation services make an operating system's job more arduous, as it must accommodate them without compromising other parameters, such as response time, battery life, etc.

Benefits of High-Level Operating System (HLOS)

Handheld device manufacturers moving towards HLOS to overcome shortcomings of RTOS



Source: Symbian

All these factors are forcing manufacturers to adopt high-level operating systems (HLOS) that endow product designing process of vendors with much desired agility without exerting incremental pressure on costs.

[2] Informationweek

The Existing High-Level Operating Systems (HLOS)

Operating systems, such as Symbian, Linux, Windows Mobile, Windows CE, Nucleus RTOS, RIM, and Palm meet the complex requirements of the handset industry to an extent. Intrinsyc's Soleus, after its successful testing, has emerged as the latest entrant into this cluster. All these new generation operating systems have been discussed here to analyze the strengths and weaknesses of each and identify if any has the potential to emerge as a one-stop-shopping solution for the handset industry.

Symbian

Symbian is the market leader in the smartphone segment; owned by leading OEMs.

Symbian is owned by Nokia (47.9%), Ericsson (15.6%), Sony Ericsson (13.1%), Panasonic (10.5%), Siemens (8.4%), and Samsung (4.5%) and has more than 70%[3] market share in the smartphone category. Its customers include Nokia, Samsung, Siemens, Panasonic, Motorola, Sony Ericsson, Fujitsu, LG Electronics, Mitsubishi Electric, and Sharp.

Symbian operates on a core system capable of multi-threading, multitasking, and memory protection much like a desktop operating system. These features enable Symbian to run different applications and software without affecting the overall performance of the device.

It shares its source code with its licensees and other industry partners, enabling its users to customize the operating system to their specifications. However, Symbian, unlike Linux or Windows CE, does not follow open source code policy and restricts its source code to associated entities. On the user interface (UI) front, Symbian OS supports Nokia Series 60 and 80, NTT DoCoMo's MOAP UI for the FOMA 3G network, and UIQ by UIQ Technology (owned by Sony Ericsson).

Symbian's latest version, Symbian Version 9.5 (introduced in March 2007), is an improvement on the existing versions. The new version has decreased RAM usage by 25%, enabling the dual advantages of faster processing speed (application response time has increased by 75%) and lower manufacturing cost (handsets now need less memory). The new version also has inbuilt support for next-generation features, such as digital TV and location-based services (LBS), thereby reducing the manufacturing cost of OEMs and OEDs.

Symbian needs significant modifications to tap the feature phone market.

While Symbian has a near monopoly in the smartphone category, there have been talks that Symbian may target the feature phone segment as its next growth driver. We believe that in order to do so, Symbian must lower its bill of materials (BOM) (the current Symbian-based handset has a BOM of approximately US$15 to US$20 per unit), further reduce its memory usage, and improve its power-consumption performance.

Mobile Linux

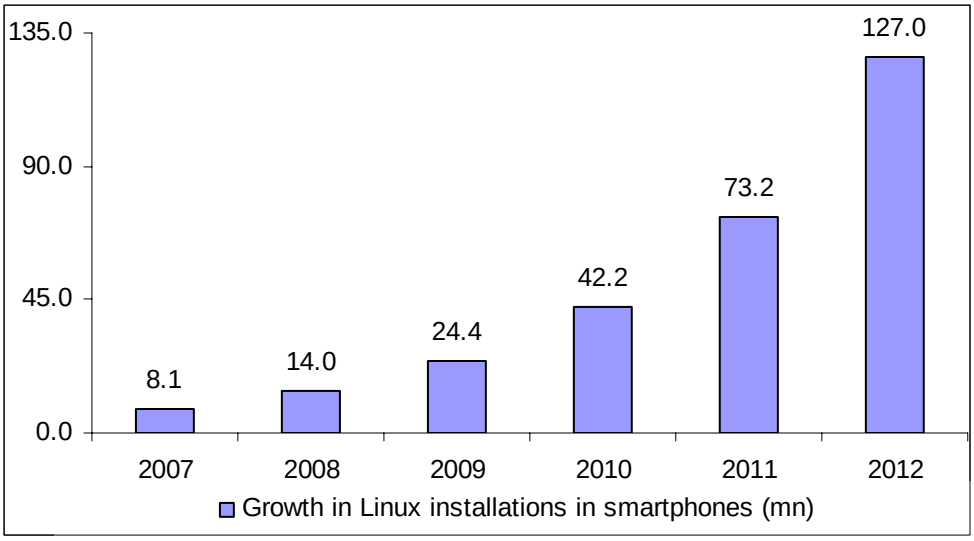
Linux is the second largest player in the smartphone market.

At present, approximately 13%[4] of smartphones use Linux-based operating systems, which is extremely less than Symbian. However, the open source code of Linux has attracted industry participants, such as Motorola, Samsung, Panasonic, LG Electronics, and Vodafone, which have already announced plans to adopt Linux on a large scale. With an open source code, manufacturers can use Linux without paying any royalty fee. The open source code has also facilitated a large developer community. Consequently, manufacturers can source operating systems and other applications from a larger pool of developers rather than relying on a leading operating system provider. Analysts share the industry's view and expect Linux installations (in the smartphone segment) to increase from 8.1 million in 2007 to 127 million in 2012, reflecting a CAGR of approximately 73%.

Has to be integrated with a large number of applications

[3] Symbian
[4] Symbian

Growth in Linux-installed Smartphones



Source: Symbian

Different Linux applications cannot be easily ported on each other

Despite industry's enthusiasm over Linux, we think that Linux has certain limitations that may inhibit its adoption as a leading operating system platform. First, components (kernels) for which code sources are open constitute approximate 10% of the total operating system. Manufacturers must integrate a large number of patches, middleware components, and application components with the kernels to complete the operating system. This process increases the time to market and the cost. Second, Linux as a platform is very fragmented, implying that Linux-based application programming interfaces (APIs) developed by one company may not fall in sync with Linux-based APIs developed by another. This lack of sync complicates the manufacturing process and increases time to market and design cost. Third, Mobile Linux has not been developed for small devices. In fact, it has been ported from a desktop/server operating system, and therefore, requires a large footprint.

Mobile Linux vendors, such as Access (discussed later) and MontaVista are working on developing Linux-based common platforms to overcome these issues. Such platforms, if successful, can pose threats to Intrinsyc.

Windows Mobile (WM)

Windows Mobile is the third largest player in the smartphone category.

Windows Mobile, Microsoft's operating system for high-end handheld devices (such as smartphones, PDAs, PNDs etc.), made up approximately 6%[5] of the total operating systems installed in such devices in Q2/07. Microsoft has licensed WM OS to players such as HTC, Dell, HP, Motorola, Samsung, Palm, Cingular, Orange, Verizon, Sprint, and T-Mobile.

WM has a complete software stack, which includes kernels, middleware components, application suites, and a standardized application execution environment (Windows CE). Therefore, OEMs and OEDs get most of the components from one source rather than from different vendors.

Moreover, WM has a large and strong ecosystem. Microsoft opened WM to the developer community, and consequently, more than 18,000 WM-based applications are available that can be easily appended to all WM-based platforms. Such seamless integration of external applications gives OEMs better control over their designing costs and response time.

[5] Symbian

Also, as most of Microsoft operating systems have Windows CE as their core, WM-based devices can be easily synchronized with devices using a Microsoft operating system (e.g., personal computers). This makes WM OS the preferred choice for users looking for such PC-mobile compatibility. Industry experts see WM as an efficient platform and expect its installations to increase to 64.5 million by 2009[6].

Windows Mobile 6 (WM 6), the latest version of WM OS launched in February 2007, has improved on its predecessor on numerous fronts. WM 6 includes office mobile suite (Microsoft Office's version for handset devices) that enables users to work on their files, unlike Windows Mobile 5 where users could only view files, and do that too through third-party software. WM 6 has also improved the e-mailing features. Enterprise users working with Exchange 2007 can now access e-mails, including those that are not saved on their devices from the company server. Moreover, all the e-mails can be viewed in an HTML format.

May not support non-Microsoft applications

We think that despite WM being a useful product, it deprives manufacturers of the much desired flexibility. OEMs/OEDs must accept everything under the package. It does not let them customize features, such as user interface, which help OEMs in their branding exercise. They may also face difficulty in incorporating features/applications developed on non-Microsoft platforms.

Research in Motion (RIM)/BlackBerry

RIM is the fourth largest player in the smartphone segment; offers best e-mail solution

RIM, manufacturer of BlackBerry devices, comes fourth in the operating system suppliers' list with a market share of 5.3%[7] in Q2/07. Blackberry devices run on a proprietary operating system, which in turn runs on a Java-based environment. The unique selling proposition of BlackBerry devices is that they offer the best e-mailing solutions in the industry. RIM has developed a 'push' method of e-mail delivery that automatically delivers e-mails and other data to devices. Thus, users need not retrieve their messages manually, as is the case with other devices. Another feature of this technology is that it works with all leading high-level operating systems (Symbian OS, Windows Mobile, and Palm OS). Therefore, manufacturers using other HLOS can easily add 'push' technology by integrating BlackBerry Connect with their platforms (BlackBerry Connect is a technology that empowers non-RIM devices with BlackBerry services).

Small developer community

Barring the e-mail and related functionalities, BlackBerry OS is behind other HLOS on most of the parameters. It has a very small developer community, with limited third-party applications. Consequently, OEMs have limited readymade solutions for the features they may want to add to their devices. Moreover, the availability of RIM's unique selling proposition—'push' technology—as a standalone product does not enhance its chances of emerging as the leading operating system for handheld devices.

Palm OS/Access

Access integrated Palm OS (now Garnet OS) with its Linux-based applications

Palm OS has been one of the most user friendly operating systems and supports the largest development community, with more than 25,000 third-party software titles available for its platform. PalmSource (owner of Palm OS) was acquired by Access in November 2005. Access is a Japanese company that develops Linux-based solutions for the handheld devices industry. After the acquisition, Access developed a platform called Access Linux Platform (ALP), wherein it integrated Access' Linux-based middleware components and applications with Palm OS (known as Garnet OS after the PalmSource acquisition). Consequently, all Garnet OS supporting software titles can run on ALP-based mobile devices as well. Hence, OEMs using ALP get the best of both worlds: Palm OS/Garnet OS and Linux applications.

Requires significant software coding to integrate applications not available on its platform

Access' efforts to develop an integrated Linux platform and large number of third-party applications available with ALP are impressive. However, we think that Access continues to

suffer from Linux's lack of flexibility. Per our understanding, ALP bundles a large number of Linux-based components on the platform. However, in case a manufacturer requires a component/application not available on the platform, it may have to undertake significant software development to embed it, which in turn increases the design cost and its development cycle.

Nucleus OS

No royalty fee and small footprint

Nucleus OS (developed by Mentor Graphics) is a C++ based real-time operating system. The entire operating system has been divided into seven subcomponents, each apt for a particular set of functions (e.g., Nucleus Kernel, one of the sub-components, provides kernel services and application programming interfaces). Componentizing gives users the option of buying only the components they need, rather than the entire operating system, which in turn reduces their cost and the operating system footprint. Nucleus OS comes with a pre-integrated user interface (UI) platform that enables OEMs to customize the UI without any software scripting. In addition, Nucleus does not have any royalty fee.

Lacks built-in application suite

However, Nucleus OS does not have a built-in set of application suites. OEMs have to collate the features they wish to add from different sources and integrate them with Nucleus' kernels. This integration increases the bill of materials per handset. The time to market is also increased, as OEMs have to write codes to embed these features.

Soleus

Soleus is a Windows CE-based handset software solution that includes an operating system, a user interface framework, a telephony stack, and a core application suite (that includes several applications). With such features, Soleus serves as a turnkey platform that removes the complexity involved in design development and fastens the handset development process without affecting business economies. The four broad components underlying the Soleus platform are as follows:

1. **Operating System (Windows Embedded CE)**

   The kernels underlying Soleus come from Windows Embedded CE (WCE). WCE has been on the market for more than 10 years and has a proven track record as a real-time, componentized operating system, made up of approximately 700 components. The developer can pick and choose components, and thereby control the operating system footprint. Moreover, Windows CE's source code is available to a large developer community. Consequently, there is a wide range of third-party applications that can be ported on WCE platforms. Most importantly, WCE carries the legacy of Microsoft. Microsoft looks after the development of the WCE (e.g., introducing new versions to accommodate novel concepts). Thus, Soleus need not work on updating its basic technology. In addition, Soleus derives significant benefits from Microsoft's research and development efforts (e.g., Soleus uses tools, such as Platform Builder and Visual Studio, that make the integration of applications easier).

   Benefits of Windows CE to Soleus

   - A componentized operating system helps in managing the platform footprint
   - Open source code
   - Huge developer community
   - Microsoft looks after development, relieves Soleus of updating kernels
   - Derive benefits from Microsoft's research and development efforts

2. **User Interface Framework**

   Soleus users can easily access design templates, and applications and test support features, enabling them to customize the user interface. Moreover, Soleus allows manufacturers to use drag-and-drop facility to develop their user interface, rather than writing codes. Consequently, UI customization becomes much easier and faster.

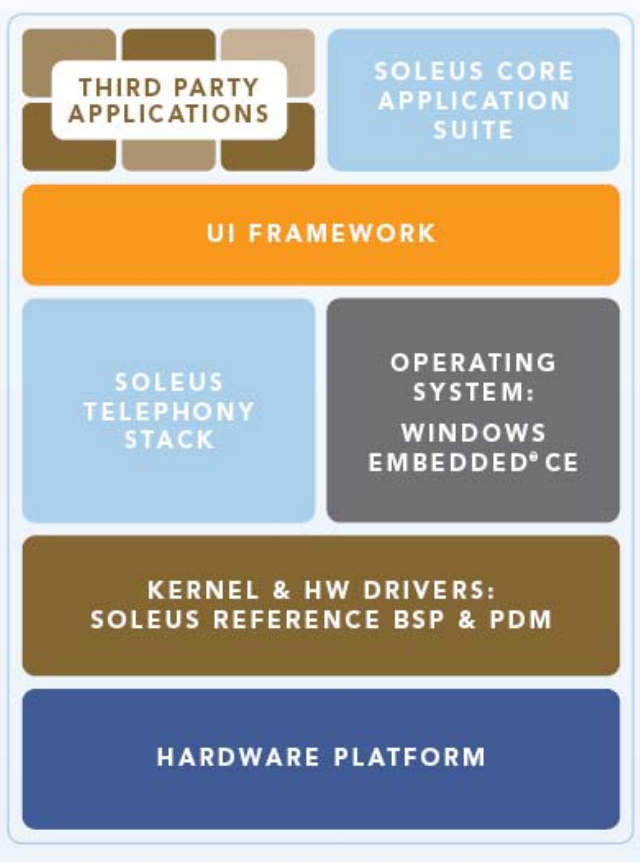
3. **Soleus Telephony Stack**

   Soleus has a built-in pre-certified telephony stack that gives handset devices instant connectivity to cellular networks. Thus, Soleus customers need not install this functionality separately.

4. **Soleus Core Application Suite**

   Soleus' core application suite includes applications, such as dialler, media players, SMS messaging, PIM applications, calendar, calculator, camera, connection management, user profiles, and many more. Intrinsyc also has a tie-in with leading independent software vendors (ISVs), and Soleus supports applications developed by them. The applications developed by ISVs include a java virtual machine, WAP browser, predictive text, e-mail POP/SMTP client, handwriting recognition, instant messenger, and voice dialling. In addition, Soleus also supports applications developed by the customers and other third-party vendors.

The Soleus Stack



Source: Company filings

What About the Google Phone?

For the past 2 years, there have been talks of Google entering the handheld device market. Google finally announced the Open Handset Alliance (based on Android) —a broad alliance of leading technology and wireless companies developing the first truly open and comprehensive platform for mobile devices. The Open Handset Alliance founding members are: Aplix, Ascender, Audience, Broadcom, China Mobile, eBay, Esmertec, Google, HTC, Intel, KDDI, LivingImage, LG, Marvell, Motorola, NMS Communications, Noser, NTT DoCoMo, Nuance, Nvidia, PacketVideo, Qualcomm, Samsung, SiRF, SkyPop, SONiVOX, Sprint Nextel, Synaptics, TAT–The Astonishing Tribe, Telecom Italia, Telefonica, Texas Instruments, T-Mobile, and Wind River.

How can Google gain by entering the handheld device market?

At present, Google earns most of its revenue through PC-based Internet search advertising. However, it trails Microsoft and Yahoo in the fast-growing segment of the mobile Internet search advertising, which in the United States alone is expected to increase from US$33.2 million in 2007 to US$1.4 billion by 2012, reflecting a CAGR of 112%. Microsoft, through Windows Mobile, has a strong presence in this segment (Microsoft expects 20 million Windows Mobile-based units to be shipped in 2008). Yahoo has a mobile device dedicated search engine called oneSearch. Google recently lost one of its customers, Opera (a provider of Web-based browser solutions) to oneSearch. (Opera replaced Google with oneSearch as its default search engine.) Thus, Google has to act fast to protect and carry over its leadership in Internet search advertising from personal computers to handheld devices.

Options open to Google for entering handheld device market

Google can tap the handheld segment by manufacturing handheld devices. However, we believe that this does not fit Google's model and software expertise. Moreover, manufacturing its own phone may alienate Google from its handset partners, limiting its access to only its own handsets, which will be a miniscule fraction of the total market. Considering these factors, we do not foresee Google coming out with its own devices.

The other approach Google can adopt is to develop a high-profile mobile Web browser for handset devices. Currently, Internet service on mobile phones is very slow and searches require a lot of time. Google has the capability to develop a super-fast mobile Web browser, making Google's browser the preferred choice. Google's acquisition of Android (a company expectedly working on location-aware mobile phone software) and recent patent filings (related to predictive searches that track time, date, position, and previous searches done from the device) also indicate that Google may be working on the mobile Web browser. Such a super-fast mobile browser with best predictive search capacities will make Google the top source for handset-based contextual advertising.

We believe that with such an operating system, Google can induce manufacturers to adopt it by sharing the advertising revenues with them.

Google can also launch its own operating system loaded with the Google browser and other features. In fact, according to a leading newspaper, Google is developing an open-source Linux-based operating system platform that will encompass not only the mobile search applications and the map software, but also a cell-phone-specific Web browser (as discussed above). It is also said that Google has already developed the prototypes and is displaying its latest offering to the manufacturers. We believe that with such an operating system, Google can induce manufacturers to adopt it by sharing the advertising revenues with them. It can also offer the operating system at low cost (or maybe free) and in turn cover its expenses from the advertising revenue. However, we see Google facing two main hurdles with its operating system strategy.

First, leading wireless carriers, such as Verizon and AT&T, have made significant investments to tap into the mobile internet advertising space by developing their own Internet portals, updating

[8] Windowsfordevices.com

their networks, etc. Such service providers will not be receptive to Google's operating system, which is trying to capture the same advertising dollars. Second, it requires an enormous effort to develop an effective operating system. Symbian, the leading smartphone high-level operating system (HLOS), is a result of more than 10 years of effort. Further, Google OS, if launched, will have limited third-party applications, and therefore, will not be able to offer much flexibility to OEMs (the Open Handset Alliance should address this). Also, Google is an Internet search specialist, not an operating system specialist, and developing an operating system may just turn out to be too big a stretch. Moreover, if Google OS turns out to be Linux-based, it may grapple with the issues faced by Mobile Linux and other related operating systems, such as Access.

To conclude, we find the 'Web browser' strategy to be the most apt for Google. And if Google launches its own Linux-based operating system, it may not only alienate itself further from leading carriers, but also have to overcome the complications bundled with Linux, which can turn out to be a significant task on its own.

Soleus Versus Others

We compared Soleus with peers on critical issues, such as cost, time to market, and ease of customization to understand its positioning vis-à-vis others, and analyzed its prospects of evolving as a leading high-level operating system (HLOS).

Lower Development Cost

Soleus lowers BOM and design cost per handset

A high-level operating system (HLOS) has two main variable costs—hardware and design. Soleus is economical on both fronts. In terms of hardware, the main savings accrue in the form of lower memory requirements. Windows Embedded CE, the operating system underlying Soleus, has been developed as a small embedded operating system compared with others, such as Linux, which have been ported from desktop/server operating systems. Hence, Windows CE can work with a much smaller footprint compared with Linux and needs less memory, reducing the bill of materials (BOM) per handset.

In terms of design cost, Soleus' modular architecture enables OEMs to design more handsets on the same platform. Hence, OEMs need not write separate codes for each design. Thereby, they save on man hours required (for introducing a new design) and the related designing costs.

A report by Embedded Market Forecasters confirms our views. It suggests that Windows CE-based projects cost 68% less in comparison with embedded Linux projects[9].

Higher Return on Investment

Soleus enables OEMs to develop more handsets within a fixed R&D budget and thereby enhances OEMs' returns from R&D investment

Through Soleus, OEMs get a complete package with a large number of applications on a single platform that can be used to design multiple handsets. Moreover, Soleus can accommodate additional applications (those not included in its core application suite) without significant software coding. Thus, OEMs' returns (in terms of the number of models developed) on research and development investments increase. This return bodes well for Soleus in contrast to other HLOS. Proprietary real-time operating systems, such as Nucleus or even Linux, lack flexibility and cannot be deployed across multiple designs. Vendors have to modify their codes, which increases their development cost. Hence, the number of models developed with a given research and development budget comes down. Other HLOS, such as Symbian, carry high royalties that affect economies per model.

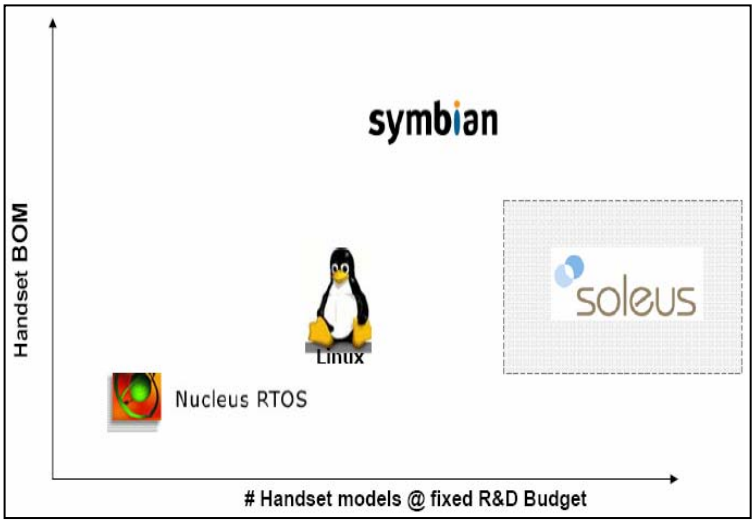
[9] Company filings

Shorter Development Cycle

Soleus' core application suite, ISV partners, and developer tool chain speed the development process

The ever-evolving consumer demand and continuous introduction of new features/services by wireless carriers are forcing manufacturers to introduce new models with improved features at a fast pace. Consequently, vendors are looking for a platform that enables them to develop new products without substantial software integration, as is the case with most of the existing HLOS. Soleus, with its core application suite, leading independent software vendor partners, and large Windows CE developer community, provides a platform that can develop several handsets and thereby curtail the amount of custom coding required with other HLOS. Soleus' developer tool chain (including Microsoft Platform Builder and Microsoft Visual Studio) further simplifies the development process. A finding by the Embedded Market Forecasters that Windows Embedded CE projects take 43% less time than Linux-embedded projects[10] endorses our observation.

Number of Handset Models with a Given R&D Budget



Source: Company Filings

Ease of Customization

Soleus' UI customization features enable OEMs to quickly re-brand or update their handsets

Soleus has a decisive edge over competitors when it comes to ease of customizations. It has automated the user interface (UI) designing process by providing OEMs with a 'drag-and-drop' facility whereby they can place the features at the desired place rather than writing codes. Thus, with Soleus, manufacturers can easily update or re-brand their existing designs. Soleus also facilitates the custom selection of applications: OEMs can select the applications (from Soleus' core application suite, third-party applications, and applications developed by ISVs partnering with Intrinsyc) that they want to add to their devices. Such ease of customization at the UI level and applications level has great value for all the players involved in the handheld industry. It is especially beneficial to niche customers, such as wireless carriers that are working towards developing custom-made handsets to assure the best delivery of their respective services (e.g., Vodafone Live by Vodafone and Orange Signature handsets by Orange).

We are impressed by the fact that Soleus outperforms its competitors in all key business areas and believe that it has the capability to acquire a decent share of the evolving HLOS market. This likelihood makes Intrinsyc an interesting play on the large handset device market, representing an exciting opportunity for investors.

[10] Company filings

Market Size

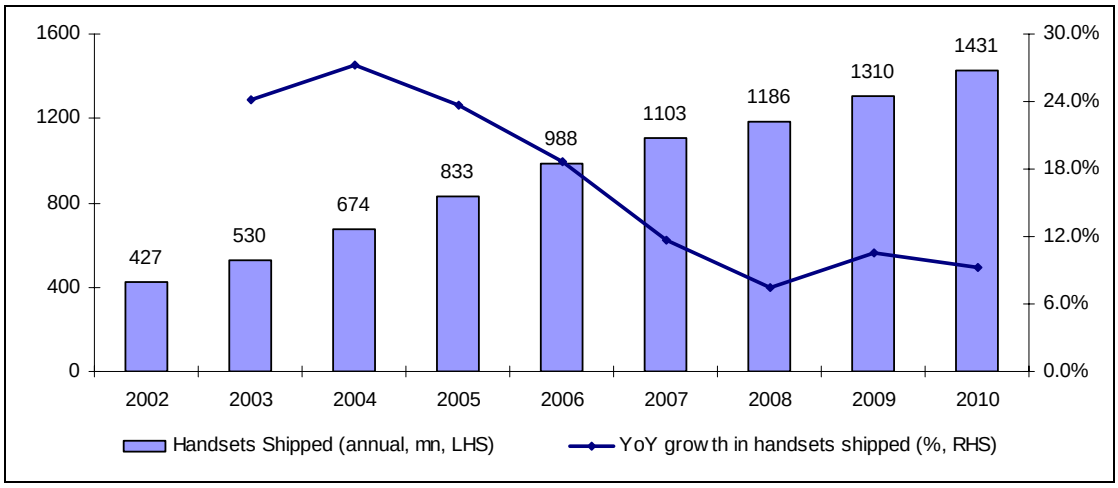
Within the universe of handheld devices, Intrinsyc focuses primarily on the feature phone segment of mobile handsets. In addition to feature phones, Intrinsyc also intends to serve those handheld device manufacturers that want to enter the mobile handset market (e.g., a portable navigation device (PND) manufacturer targeting the mobile phone market).

Mobile Phones

Gartner forecasts 2010 global handset shipment volume at 1.4 billion units, more than triple the 427 million units in 2002. The growth is fuelled by increasing mobile penetration in emerging economies, rising replacement demand, and competition among manufacturers to launch new designs.

Global Handset Market

Mobile handset shipment volume to increase to 1.4 billion units by 2010



Source: Samsung

Feature phone to be an 890 million-unit-per-annum market by 2010

Within the mobile phone market, feature phones (Intrinsyc's target segment) have evolved as the biggest segment and contributed approximately 60% of global sales (587 million units)[11] in 2006. Intrinsyc's management expects feature phones to continue to lead global sales and constitute approximately 60% to 65% of the market in 2008. Assuming a share of 62% in 2008 translates into a potential annual market of approximately 730 million units for Intrinsyc, and extrapolating this trend to 2010 puts the total feature phone shipments at approximately 890 million units, reflecting a CAGR of approximately 11% since 2005.

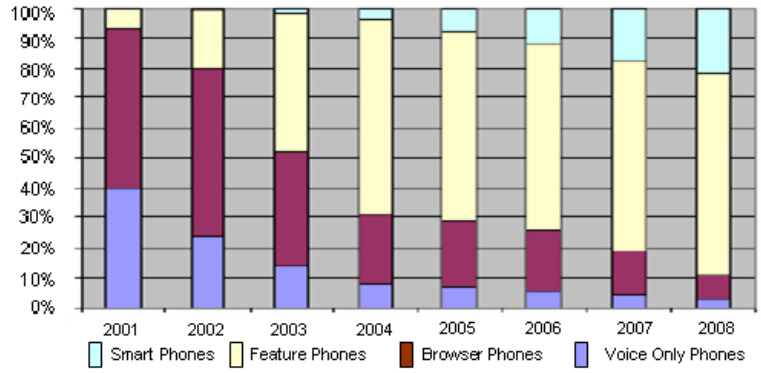
Feature Phone Sensitivity Analysis

Sensitivity Analysis: Number of feature phone units sold (in million)				
	2007E	2008E	2009E	2010E
Number of mobile handsets shipped	1103	1186	1310	1431
Feature phone, as percent of total sales	Feature phone market			
60	662	712	786	859
62	684	735	812	887
65	717	771	852	930

Source: Company reports

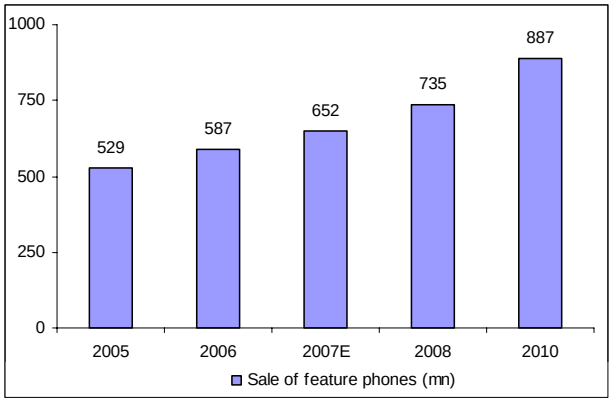
[11] Company Reports

Handset Type Market Share



Source: Company filings

Growth in Feature Phone Market



Source: Haywood Securities and Company filings

We have done a sensitivity analysis to analyse the potential of Soleus on Intrinsyc's revenue for FY2010, assuming different penetration rates and average selling price (ASP) per unit. We assumed the feature phone market to be 890 million unit per annum, and varied ASP from $ 2.00 to $ 4.00, and market share from 4% to 6%. At an ASP of $3 per unit and a market share of 5%, Soleus can add approximately $134 million to Intrinsyc's top line in 2010, 6.5 times its trailing twelve months (TTM) revenue.

Soleus Sensitivity Analysis

Sensitivity Analysis: Intrinsyc's Revenue in 2010 from Soleus						
		Market Share (%)				
		1.00%	2.00%	3.00%	4.00%	5.00%
ASP per Unit	$2.00	17.80	35.60	53.40	71.20	89.00
	$2.50	22.25	44.50	66.75	89.00	111.25
	$3.00	26.70	53.40	80.10	106.80	133.50
	$3.50	31.15	62.30	93.45	124.60	155.75
	$4.00	35.60	71.20	106.80	142.40	178.00

Source: Haywood estimates

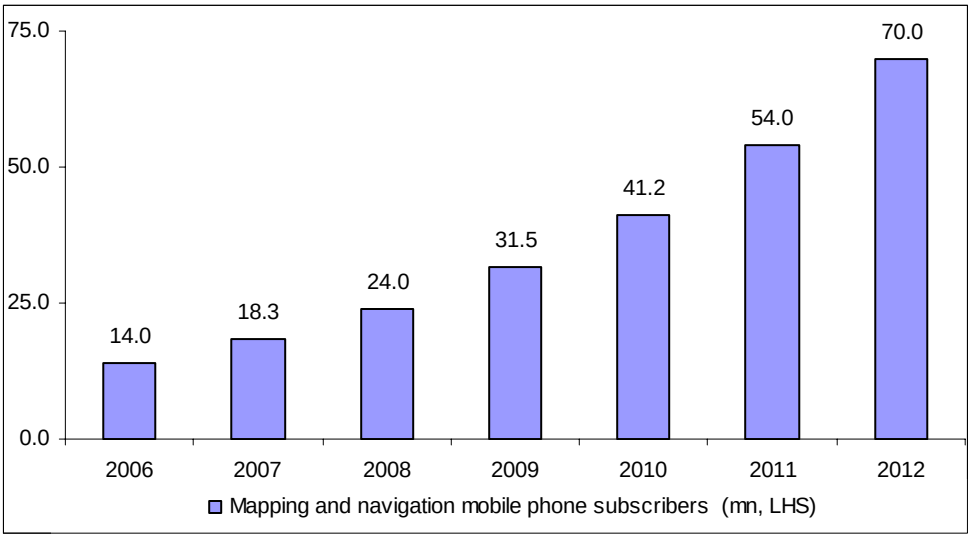
Other Handheld Devices

PND manufacturers to provide another growth driver to the operating system suppliers; mobile and navigation mobile phone subscribers to increase to 70 million by 2012 from 14 million in 2006

Intrinsyc's prime target in this segment should be the portable navigation device (PND) manufactures. At present, most of the PNDs provide only navigation services and lack voice/data connectivity. However, we believe that PND manufacturers are aiming to tap the mobile phone market. The convergence of live feed (through voice/data connectivity) and navigation services can be an opportunity for Intrinsyc. PND players that use Microsoft Windows CE platform can conveniently add voice/data facility to their devices using Soleus, as it has a built-in phone stack providing connectivity with wireless carriers. The fact that Intrinsyc has already entered into a licensing agreement for Soleus with a leading navigation device manufacturer for the development of a GPS-enabled mobile phone lends credence to our view.

Industry experts are very enthusiastic about this sector and expect a strong increase in demand for such gadgets. In-Stat, an industry intelligence agency, expects the number of mapping and navigation mobile phone subscribers to increase to 70 million by 2012, from 14 million in 2006, reflecting a CAGR of approximately 31%.

Mapping and Navigational Mobile Subscribers



Source: In-Stat, Haywood estimates

Market Opportunity – Taiwanese ODMs/OEMs

Intrinsyc recently entered into an agreement with two Taiwanese ODMs

The Company intends to expand its operations in the Asia-Pacific (APAC) region, in expectation of the strong market opportunity for comprehensive wireless business offerings. As per Canalys research, APAC is the largest market for smart mobile devices, as it holds 46% of the global smart mobile device market, compared with 37% for Europe, the Middle East, and Africa (EMEA) and 17% for the Americas. In Q1/07, the total shipments of all smart mobile devices reached 10.7 million[12] (10.1 million smartphones, 435,000 wireless handhelds, and 150,000 handhelds), an increase of almost 40% year over year.

Within APAC, Intrinsyc plans to focus on Taiwan. The Company recently opened a new office in Taipei, Taiwan, which will serve as its business and engineering hub. The strategic decision to open an office there is based primarily on the increasing importance being gained by the Taiwan handset makers (ODMs)[13] in the global handset industry. These ODMs have become an integral part of the supply chain for some of the global OEMs, such as Motorola and Sony Ericsson, especially in the low-end handset segment. This status is due mainly to the strong cost advantage and ability of ODMs to support the complete supply chain of these OEMs. Moreover, the total handset shipments from Taiwan are expected to reach around 281 million by 2008, out of which almost 79% will be supplied by ODMs.

The benefits of design flexibility and low cost offered by Soleus will allow ODMs to rapidly develop a custom-made mobile phone, leading to time-to-market advantage and vendor differentiation.

Therefore, in terms of market opportunity, it makes sense for Intrinsyc to enter into licensing agreement/partnership with some of the leading ODMs in Taiwan. This move will allow Intrinsyc to earn licensing revenue on a fee-per-handset basis and increase market acceptance for its core Soleus platform among the global OEMs, being the key customers for ODMs. While the handset market is expected to grow, vendor differentiation would be an important criterion for gaining competitive advantage. The benefits of design flexibility and low cost offered by Soleus will allow ODMs to rapidly develop a custom-made mobile phone, leading to time-to-market advantage and vendor differentiation. The recent platform integration of Intrinsyc with Esmertec, Avanquest Software, and SHAPE Services further expands the platform, capabilities, and options for OEMs and ODMs.

[12] Source: Canalys.com
[13] ODM – Original design manufacturer/Original device manufacturer; OEM – Original equipment manufacturer

Some of the probable partners include the following:

High Tech Computer Corp. (HTC)

The company designs, develops, and markets mid-segment smartphones and wireless PDAs for mobile operators in the United States, Europe, and Asia. All the devices manufactured by HTC have mobile windows-based operating systems, which makes Intrinsyc the right partner for HTC. Intrinsyc can license its Soleus platform to be pre-integrated in all the devices manufactured by HTC, providing the Company with licence revenue on a fee-per-handset basis.

Mio Technology

Mio is a company that designs and develops personal navigation devices and GPD-enabled PDAs and smartphones. The firm's handheld navigation devices have a Windows CE-based operating system. Therefore, a licensing agreement with Intrinsyc will provide Mio with the flexibility of selling a pre-integrated software platform, including pre-certified telephony stack and applications, core application suite, and adaptability in user interface and design. Intrinsyc will benefit from the licensing revenue.

Inventec Appliance

The firm is engaged in designing and manufacturing smart handheld devices and network appliances. Within smart handheld products, the focus is on three main areas: entertainment multimedia, broadband, and wireless telecommunications products. The present line of smart handheld products includes PDA, Wi-Fi phones, GSM/GPRS phones, smartphones, MP3 players, and GPS navigation devices. By entering into a partnership with Intrinsyc, Inventec can provide a high-level operating system offering world-class development tools, pre-integration of hardware and software, and 3G data services and network deployments. The operating system will complement Inventec's latest OKWAP i900 3G phone, and will enable the Company to cut costs and speed time to market.

Other probable partners include **Arima Communications** and **Compal Communications**.

APPENDIX 1: FINANCIALS

Intrinsyc Software – Income Statement (C$, except per-share data)

INCOME STATEMENT (FY Aug)	F2006A	Q1/07A	Q2/07A	Q3/07A	Q4/07E	F2007E	F2008E	F2009E	F2010E
Revenue	**18,657,717**	**5,021,087**	**5,036,431**	**5,111,900**	**4,345,115**	**19,514,533**	**23,143,516**	**47,377,704**	**64,825,333**
Hardware	1,887,058	352,698	305,671	135,307	116,814	910,490	257,500	-	-
Software	1,832,282	439,466	427,833	499,424	500,863	1,867,586	1,960,965	2,059,013	2,161,964
Services	14,938,377	4,228,923	4,302,927	4,477,169	3,352,439	16,361,458	18,815,676	21,881,191	25,163,370
Soleus					375,000	375,000	2,109,375	23,437,500	37,500,000
Cost of Revenues	**11,318,054**	**2,704,873**	**2,554,158**	**2,464,238**	**1,980,655**	**9,703,924**	**10,833,477**	**12,388,582**	**13,688,867**
Gross Margin	**7,339,663**	**2,316,214**	**2,482,273**	**2,647,662**	**2,364,460**	**9,810,609**	**12,310,039**	**34,989,122**	**51,136,467**
Operating Expenses									
Admininstration	5,407,944	1,123,937	1,411,021	1,415,617	1,129,730	5,080,305	5,554,444	7,580,433	7,779,040
Marketing and Sales	3,456,723	1,332,658	1,696,643	1,734,161	1,477,339	6,240,801	7,405,925	11,370,649	9,075,547
Research and Development	10,969,692	2,976,270	3,301,702	2,952,947	2,520,167	11,751,086	11,571,758	20,846,190	24,633,627
Restructuring and Other costs	-	-	-	-	-	-	-	-	-
Technology Partnerships Canada	260,905	-	1,725	153,358	130,353	285,436	394,305	1,121,331	1,644,760
Loss on Disposal of equipment	671	-	-	-	-	-	-	-	-
Foreign Exchange Loss/(Gain)	428,220	(249,785)	(174,515)	488,818	-	64,518	-	-	-
EBITDA	**(13,184,492)**	**(2,866,866)**	**(3,754,303)**	**(4,097,239)**	**(2,893,129)**	**(13,611,537)**	**(12,616,393)**	**(5,929,480)**	**8,003,493**
Amortization	1,061,174	178,760	212,579	204,247	198,586	794,172	706,488	505,049	584,774
Stock-based compensation	915,115	199,613	210,038	95,899	95,899	601,449	383,596	383,596	383,596
Interest income	(551,785)	(185,307)	(57,069)	(93,105)	(320,836)	(656,317)	(867,239)	(248,238)	(325,418)
Accretion and amortization - long term debt	744,098	927,778	-	-	-	927,778	-	-	-
Interest expense - long term debt	909,590	213,699	-	-	-	213,699	-	-	-
	-	-	-	-	-	-	-	-	-
Profit/(Loss) Before income taxes	**(16,262,684)**	**(4,201,409)**	**(4,119,851)**	**(4,304,280)**	**(2,866,778)**	**(15,492,318)**	**(12,839,239)**	**(6,569,888)**	**7,360,541**
Income tax expense (recovery)	**130,650**	**57,457**	**126,890**	**78,878**	**-**	**263,225**	**-**	**-**	**-**
Current	202,929	86,449	156,040	107,879	-	350,368	-	-	-
Future	(72,279)	(28,992)	(29,150)	(29,001)	-	(87,143)	-	-	-
Net Income	**(16,393,334)**	**(4,258,866)**	**(4,246,741)**	**(4,383,158)**	**(2,866,778)**	**(15,755,543)**	**(12,839,239)**	**(6,569,888)**	**7,360,541**
Adjusted Net Income*	**(16,392,663)**	**(4,258,866)**	**(4,246,741)**	**(4,383,158)**	**(2,866,778)**	**(15,755,543)**	**(12,839,239)**	**(6,569,888)**	**7,360,541**
Shares Outstanding (f.d.)	67,618,153	83,043,369	83,043,369	91,014,543	119,493,436	119,493,436	119,493,436	119,493,436	119,493,436
Net EPS, Basic	(0.24)	(0.05)	(0.05)	(0.05)	(0.02)	(0.13)	(0.11)	(0.05)	0.06
Net EPS, FD	(0.24)	(0.05)	(0.05)	(0.05)	(0.02)	(0.13)	(0.11)	(0.05)	0.06
Adjusted EPS, FD	(0.24)	(0.05)	(0.05)	(0.05)	(0.02)	(0.13)	(0.11)	(0.05)	0.06
Cash EPS (un-taxed)	(0.22)	(0.05)	(0.05)	(0.05)	(0.02)	(0.12)	(0.10)	(0.05)	0.07
OCFPS, FD	(0.19)	(0.07)	(0.04)	(0.03)	(0.02)	(0.12)	(0.09)	(0.02)	0.06

Source: Company data and Haywood estimates

Intrinsyc Software – Balance Sheet (C$, except per-share data)

BALANCE SHEET (FY Aug)	F2006A	F2007E	F2008E	F2009E	F2010E
ASSETS					
Current Assets					
Cash and Equivalents	22,487,076	18,315,299	6,512,423	3,185,208	9,472,984
Restricted Cash	-	-	-	-	-
Funds Held in trust	-	-	-	-	-
Accounts Receivable	3,789,743	2,969,162	3,597,022	4,820,078	7,526,726
Others Receivable	-	-	-	-	-
Inventory	110,996	88,029	100,237	107,898	120,748
Prepaid expenses - current	385,816	246,107	236,659	364,398	462,442
Total Current Assets	**26,773,631**	**21,618,597**	**10,446,341**	**8,477,582**	**17,582,900**
Prepaid expenses	61,769	163,807	163,807	163,807	163,807
Restricted Cash	-	-	-	-	-
Funds held in trust	-	-	-	-	-
Equipment	1,360,832	1,335,760	1,332,932	1,585,926	1,779,056
Goodwill	14,189,478	14,189,478	14,189,478	14,189,478	14,189,478
Intangible assets	556,120	240,790	-	-	-
Deferred financing costs	516,599	-	-	-	-
Total Assets	**43,458,429**	**37,548,432**	**26,132,558**	**24,416,793**	**33,715,240**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities	4,010,542	2,640,874	3,462,744	7,193,188	8,049,888
Future Income Taxes	-	-	-	-	-
Guranteed Loan Note	-	-	-	-	-
Loan Note	-	-	-	-	-
Taxes payable	218,912	404,212	404,212	404,212	404,212
Deferred Revenue	542,515	451,892	669,790	1,409,873	2,107,483
Total Current Liabilities	**4,771,969**	**3,496,978**	**4,536,746**	**9,007,273**	**10,561,583**
Debentures	7,617,946	-	-	-	-
Future income taxes	229,655	141,294	141,294	141,294	141,294
Total Liabilities	**12,619,570**	**3,638,272**	**4,678,040**	**9,148,567**	**10,702,877**
Share Capital	74,623,739	92,399,284	92,399,284	92,399,284	92,399,284
Warrants and underwriters' options	5,229,997	5,679,848	5,679,848	5,679,848	5,679,848
Shares to be issued	-	-	-	-	-
Contributed surplus	2,951,875	3,553,324	3,936,920	4,320,516	4,704,112
Cumulative translation adjustment	(27,792)	(27,792)	(27,792)	(27,792)	(27,792)
Deficit	(51,938,960)	(67,694,503)	(80,533,742)	(87,103,630)	(79,743,089)
Total shareholders' equity	**30,838,859**	**33,910,161**	**21,454,518**	**15,268,226**	**23,012,363**
Total liabilities and shareholders' equity	**43,458,429**	**37,548,432**	**26,132,558**	**24,416,793**	**33,715,240**

Source: Company data and Haywood estimates

Intrinsyc Software – Cash Flow Statement (C$, except per-share data)

CASH FLOW STATEMENT (FY Aug)	F2006A	F2007E	F2008E	F2009E	F2010E
OPERATING ACTIVITIES					
Net Income (Loss)	**(16,393,334)**	**(15,755,543)**	**(12,839,239)**	**(6,569,888)**	**7,360,541**
Amortization	1,061,174	794,172	706,488	505,049	584,774
Future income taxes	(31,770)	(88,362)	-	-	-
Unrealized foreign exchange loss on contigent conside	-	-	-	-	-
Stock-based compensation	915,115	601,449	383,596	383,596	383,596
Accretion and amortization - long term debt	744,098	222,322	-	-	-
Changes in non-cash operating working capital	**923,205**	**(393,774)**	**409,149**	**3,112,071**	**(1,263,232)**
Accounts receivable	119,853	820,581	(627,860)	(1,223,057)	(2,706,647)
Other Receivable	-	-	-	-	-
Inventory	23,322	22,967	(12,208)	(7,660)	(12,850)
Funds Held in Trust	-	-	-	-	-
Prepaid expenses	(101,823)	37,671	9,448	(127,739)	(98,044)
Restricted Cash	-	-	-	-	-
Accounts payable and accrued liabilities	1,220,468	(1,369,670)	821,870	3,730,444	856,700
Taxes payable	(44,470)	185,301	-	-	-
Deferred Revenue	(294,145)	(90,623)	217,898	740,083	697,610
Cash Flow from Operations	**(12,781,512)**	**(14,619,736)**	**(11,340,006)**	**(2,569,171)**	**7,065,680**
INVESTING ACTIVITIES					
Purchase of equipment	(784,969)	(453,768)	(462,870)	(758,043)	(777,904)
Loan Note	-	-	-	-	-
Funds held in trust (Long Term)	-	-	-	-	-
Restricted Cash(Long Term)	-	-	-	-	-
IEL Acquisition Costs	-	-	-	-	-
Acquisition of Intangible assets	-	-	-	-	-
Acquisition of NMI Electronics Ltd	-	-	-	-	-
Source (Use) from Investing	**(784,969)**	**(453,768)**	**(462,870)**	**(758,043)**	**(777,904)**
FINANCING ACTIVITIES					
Issuance of common shares	24,123,936	20,000,400	-	-	-
Special Warrants	-	-	-	-	-
options	-	-	-	-	-
Warrants	-	-	-	-	-
Cash Gurantee on common Shares Issued	-	-	-	-	-
Share issuance costs	(2,344,984)	(1,775,004)	-	-	-
Debentures	8,000,000	(8,000,000)	-	-	-
Repayment of obligation Under Capital Lease	-	-	-	-	-
Debtentures issuance costs	(1,043,605)	(29,125)	-	-	-
Accretion and amortization - early redemption	-	705,456	-	-	-
Source (Use) from Financing	**28,735,347**	**10,901,727**	**-**	**-**	**-**
Foreign Exchange Effect on Cash and cash equivalent	-	-	-	-	-
Increase (Decrease) in Cash	**15,168,866**	**(4,171,777)**	**(11,802,876)**	**(3,327,215)**	**6,287,776**
Cash Beginning of Period	**7,318,210**	**22,487,076**	**18,315,299**	**6,512,423**	**3,185,208**
Cash End of Period	**22,487,076**	**18,315,299**	**6,512,423**	**3,185,208**	**9,472,984**

Source: Company data and Haywood estimates

Intrinsyc Software – Ratio Analysis (C$, except per-share data)

RATIO ANALYSIS (FY Aug)	F2006A	Q1/07A	Q2/07A	Q3/07A	Q4/07E	F2007E	F2008E	F2009E	F2010E
REVENUE ANALYSIS									
Revenue Breakdown (CAD)									
Revenues	18,657,717	5,021,087	5,036,431	5,111,900	4,345,115	19,514,533	23,143,516	47,377,704	64,825,333
Hardware	1,887,058	352,698	305,671	135,307	116,814	910,490	257,500	-	-
Software	1,832,282	439,466	427,833	499,424	500,863	1,867,586	1,960,965	2,059,013	2,161,964
Services	14,938,377	4,228,923	4,302,927	4,477,169	3,352,439	16,361,458	18,815,676	21,881,191	25,163,370
Soleus	N.A	N.A	N.A	N.A	375,000	375,000	2,109,375	23,437,500	37,500,000
Revenue Breakdown (%)									
Revenues	100.0%	100.0%	100.0%	100.0%	91.4%	98.1%	90.9%	50.5%	42.2%
Hardware	10.1%	7.0%	6.1%	2.6%	2.7%	4.7%	1.1%	0.0%	0.0%
Software	9.8%	8.8%	8.5%	9.8%	11.5%	9.6%	8.5%	4.3%	3.3%
Services	80.1%	84.2%	85.4%	87.6%	77.2%	83.8%	81.3%	46.2%	38.8%
Soleus	N.A.	N.A.	N.A.	N.A.	8.6%	1.9%	9.1%	49.5%	57.8%
Revenue Growth (Y/Y, %)									
Revenues	6.4%	10.3%	5.1%	16.5%	-11.8%	4.6%	18.6%	104.7%	36.8%
Hardware	-3.0%	-46.9%	-35.8%	-62.1%	**-70.0%**	-51.8%	-71.7%	-100.0%	N.A.
Software	-31.4%	-4.5%	-7.6%	13.8%	**5.0%**	1.9%	5.0%	5.0%	5.0%
Services	15.6%	23.3%	11.7%	24.6%	**-17.4%**	9.5%	15.0%	16.3%	15.0%
Soleus	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	430.0%	1011.1%	60.0%
Revenue Growth (Q/Q, %)									
Revenues		2.0%	0.3%	1.5%	-15.0%				
Hardware		-9.4%	-13.3%	-55.7%	-13.7%				
Software		-7.9%	-2.6%	16.7%	0.3%				
Services		4.2%	1.7%	4.0%	-25.1%				
Soleus		N.A.	N.A.	N.A.	N.A.				
Revenue By Geography %									
North America	51.8%	58.8%	65.2%	55.9%					
Canada	4.0%	7.3%	6.5%	7.2%					
Europe	41.4%	33.5%	29.3%	35.6%					
Others	2.9%	0.5%	1.0%	1.3%					
Cost Analysis									
Cost of revenue	11,318,054	2,704,873	2,554,158	2,464,238	1,980,655	9,703,924	10,833,477	12,388,582	13,688,867
Admininstration	5,407,944	1,123,937	1,411,021	1,415,617	1,129,730	5,080,305	5,554,444	7,580,433	7,779,040
Marketing and Sales	3,456,723	1,332,658	1,696,643	1,734,161	1,477,339	6,240,801	7,405,925	11,370,649	9,075,547
Research and Development	10,969,692	2,976,270	3,301,702	2,952,947	2,520,167	11,751,086	11,571,758	20,846,190	24,633,627
Technology Partnerships Canada	260,905	-	1,725	153,358	130,353	285,436	394,305	1,121,331	1,644,760
Cost Analysis (% of revenue)									
Cost of revenue, except Soleus	60.7%	53.9%	50.7%	48.2%	**48.0%**				
Cost of revenue, including Soleus					45.6%	49.7%	46.8%	26.1%	21.1%
Admininstration	29.0%	22.4%	28.0%	27.7%	**26.0%**	26.0%	24.0%	16.0%	12.0%
Marketing and Sales	18.5%	26.5%	33.7%	33.9%	**34.0%**	32.0%	32.0%	24.0%	14.0%
Research and Development	58.8%	59.3%	65.6%	57.8%	**58.0%**	60.2%	50.0%	44.0%	38.0%
Technology Partnerships Canada	1.4%	0.0%	0.0%	3.0%	**3.0%**				
Other Income									
Interest Income (as % of opening cash balance)	7.5%	3.3%	2.5%	6.3%	**6.0%**				
Profitibility Analysis									
Gross Profit	7,339,663	2,316,214	2,482,273	2,647,662	2,364,460	9,810,609	12,310,039	34,989,122	51,136,467
EBITDA	(13,184,492)	(2,866,866)	(3,754,303)	(4,097,239)	(2,893,129)	(13,611,537)	(12,616,393)	(5,929,480)	8,003,493
EBIT	(14,245,666)	(3,045,626)	(3,966,882)	(4,301,486)	(3,091,715)	(14,405,709)	(13,322,882)	(6,434,530)	7,418,719
Profitibility Analysis (% of revenue)									
Gross Margin	39.3%	46.1%	49.3%	51.8%	54.4%	50.3%	53.2%	73.9%	78.9%
EBITDA Margin	-70.7%	-57.1%	-74.5%	-80.2%	-66.6%	-69.8%	-54.5%	-12.5%	12.3%
EBIT Margin	-76.4%	-60.7%	-78.8%	-84.1%	-71.2%	-73.8%	-57.6%	-13.6%	11.4%
Tax Rate	-0.8%	-1.4%	-3.1%	-1.8%	**0.0%**	-1.7%	0.0%	0.0%	0.0%
Net Profit Margin	-87.9%	-84.8%	-84.3%	-85.7%	-66.0%	-80.7%	-55.5%	-13.9%	11.4%
Adjusted Net Margin	-87.9%	-84.8%	-84.3%	-85.7%	-66.0%	-80.7%	-55.5%	-13.9%	11.4%
BALANCE SHEET									
Cash and Equivalents	22,487,076.0	9,169,415.0	5,950,172.0	21,389,067	18,315,299	18,315,299	6,512,423	3,185,208	9,472,984
Deferred Revenue	542,515.0	649,252.0	558,656.0	459,999	451,892	451,892	669,790	1,409,873	2,107,483
DSO	75.3	78.6	80.1	61.5	**61.5**	63.2	51.8	32.4	34.8
SOLEUS									
Total Market (units in millions)					500	500	500	500	500
Intrinsyc's maket share (%)					0.100%	0.025%	0.113%	1.250%	2.000%
Intrinsyc's maket share (in units)					125,000	125,000	562,500	6,250,000	10,000,000
Average Selling Price (ASP, $)					$ 3.00	$ 3.00	$ 3.75	$ 3.75	$ 3.75
Revenue ($)				23,000	375,000	398,000	2,109,375	23,437,500	37,500,000
Gross Margins (%)					80.0%				

Source: Company data and Haywood estimates

APPENDIX 2: MANAGEMENT TEAM AND BOARD OF DIRECTORS

Management Team

Management Team

Name	Title	Officer Since	Background	Ownership Stock	Ownership Options
Glenda Dorchak	CEO and Chairman	July 2006	Ms. Dorchak is CEO and Chairman of the Company. She joined Intrinsyc Software in July 2006. Prior to that, she worked with Intel Corporation as Vice President and Chief Operating Officer of Intel Communication Group, Vice President and General Manager of the Consumer Electronics Group, and Vice President and General Manager of the Broadband Products Group. She has also worked with the Internet retail start-up Value America as Senior Vice President Technology Products and Sales, where she later became Chairman and CEO. Previously, she held various executive positions with IBM Corp. In 1999, Glenda was named among the "Top 25 Executives of the Millennium" by Computer Reseller News.	80,000	1,175,000
Mark Johnston	Executive Vice President and General Manager of Worldwide Sales and Business Development	Nov 2006	Mr. Johnston had 22 years experience with Intel Corporation before joining Intrinsyc Software. At Intel, he held several positions, including Director of Worldwide Technical Sales and Support, Director of Global Marketing for the Cellular and Handheld Products Group, and General Manager of Communication Sales and Marketing of Asia Pacific. He began his career with Intel Canada in 1984 in technical support and strategic sales positions. For the past 10 years, he has been focusing on Intel sales to industry leaders in handheld and communication technology products. Mr. Johnston holds a degree in Mathematics and Physics and has completed his undergraduate degree from Miami University in Oxford, Ohio, and graduate degree from Rice University in Houston, Texas.	N.A.	475,000
David Manuel	Executive Vice President and General Manager of Engineering Services Group	July 1999	Mr. Manuel has over 22 years experience in the international technology business. He had led various teams in advanced technology research, building partnerships with technology vendors, strategic technology, engineering as well as sales and marketing. Prior to joining Intrinsyc, he worked with DAMOS SudAmerica, an affiliate of Telecom Italia, as Director of Engineering and Operations. At DAMOS, he was involved in building the infrastructure of ORBCOMM, the satellite-based two-way messaging system. Previously, he worked with MacDonald, Dettwiler and Associates as Systems Engineer. He holds a Bachelor of Engineering in Computer Engineering from McMaster University.	21,712	415,000
Randy Kath	Chief Technology Officer and General Manager of Mobile Products Group	May 2005	Mr. Kath is Chief Technology Officer and General Manager of Mobile Products Group at Intrinsyc. He has more than 15 years experience in product management, software development, program management, sales, marketing, and business management. Prior to joining Intrinsyc, he worked with Microsoft for about 10 years. Previously, Mr. Kath worked with Shepard's/McGraw-Hill in Colorado Springs and General Dynamics in San Diego as a Software Engineer. He holds a Bachelor of Science in Electrical Engineering from the University of Colorado, Colorado Springs.	N.A.	530,000
Souheil Gallouzi	Vice President and General Manager of Product Marketing and Development	October 2007	Mr. Gallouzi brings deep product development experience and wireless industry expertise to Intrinsyc. He spent 7 years with Qualcomm, and most recently was Senior Director with MediaFLO Technologies. He began his career as a Systems Engineer with Bell Northern Research, and later held management positions with Nortel Networks and Newbridge Networks before moving to Qualcomm and Leap Wireless International, a Qualcomm spin-off, where he was Vice-President, Product Management. Mr. Gallouzi holds Bachelor and Masters of Science degrees in Computer Science from the University of Ottawa.	N.A.	N.A.
Mark J. Longo	Vice President Corporate Development, General Counsel, and Corporate Secretary	June 2007	Mr. Longo has about 15 years experience in corporate governance, technology law, investor relations, securities law, and corporate development. Before joining Intrinsyc, he worked with Datawire Communication Networks as Vice President Business Development, General Counsel, and Corporate Secretary. He was the lead counsel and a member of a negotiation team in the sale of Datawire to First Data Corporation. At Datawire, he even formulated an international market entry strategy and handled multiple equity and debt financings. He was also responsible for establishing the U.S. headquarters of the Company and managing all its legal matters. Prior to that, he worked as General Counsel and held various executive positions with Star Data Systems Inc. and Baycom Inc. He holds two undergraduate degrees, including a Bachelor of Law from Queens University, Kingston, and an MBA from Richard Ivey School of Business, University of Western Ontario, London.	38,500	250,000
David Fischer	Director of Finance and Acting Chief Financial Officer	July 2007	Mr. Fischer was appointed Acting Chief Financial Officer of the Company on July 6, 2007. He is also Director of Finance for the Company. He is a Chartered Accountant by profession.	N.A	50,000

Source: Company data, www.sedar.com, and www.sedi.ca

Board of Directors

Board of Directors				
			Ownership	
Name	Director Since	Background	Stock	Options
Glenda Dorchak	2006	Ms. Dorchak has been Chairman and CEO of Intrinsyc since July 2006 and was on the Company's board in 2004 and 2005. Prior to her appointment as Chairman and CEO, Ms. Dorchak held prestigious positions with Intel and IBM. She has also played a leading role in an Internet retail setup and was named as one of the "Top 25 Executives of the New Millennium" by Computer Reseller News for her contributions to the Internet retail market.	80,000	1,175,000
Vincent Schiralli	2003	Mr. Schiralli was President and Chief Operating Officer from September 2004 until his retirement in March 2007, leading Intrinsyc's marketing and business development effort. Before Intrinsyc, he spent 25 years with IBM in its sales and operations efforts. He has also led companies in the virtual private network and Internet service provider domain. He also established and is President of Communitech, a technology association in Ontario.	223,461	620,000
Robert Gayton	1995	Dr. Gayton is Vice President finance at Western Copper Holdings Ltd., a Vancouver-based mining company. A Ph.D. in Business, he was a partner at Peat Marwick Mitchell (now part of KPMG) and has been advising companies on financial and accounting matters since 1987. Apart from Intrinsyc, Dr. Gayton is on the board of five other public companies.	35,000	75,000
George Duguay	2003	Mr. Duguay is President of G. Duguay Services Inc. (part of Duguay and Ringler Corporate Services), which provides administrative and accounting services to the corporate sector. He is a member of the Institute of Chartered Secretaries and a Certified General Accountant, and has been associated with the following companies in various capacities: Genesis Microchip Inc., Galantas Gold Corp., MCK Mining Corp., European Gold Resources Inc., and Titanium Corporation Inc.	177,000	225,000
Thomas Bitove	2005	Mr. Bitove, a Business and Economics graduate from University of Western Ontario, has successfully led many ventures. As Chairman of Wireless Airtime Direct Inc., he played a key role in launching a process that converted ATM machines to point-of-sales. At Lettuce Serview LP, a company he headed from 1989 to 2002, he grew the business and later sold it to HMS Host. Currently, he has distribution rights for Red Bull Energy Drink for Ontario and is among the top 10 distributors in North America.	404,300	125,000
Ketan Kamdar	2007	Mr. Kamdar is Vice President, Strategic Planning and Network Operators, Mobile Platforms Group at Broadcom Corp. With more than 15 years of experience in the wireless networking and communication industry, Mr. Kamdar joined Broadcom in April 2005 and currently serves as a Vice President responsible for Strategic Business Development with OEMs and ODMs, as well as interfacing worldwide with network operators, representing the Mobile Platforms and Wireless Connectivity Groups. Prior to Broadcom, he held several senior engineering and operational roles at AT&T Wireless/Cingular Wireless, most recently as the Vice President of the Device Development Group where he had corporate responsibility for directing, defining and commercializing mobile phones. Mr. Kamdar holds a Masters Degree in Electrical Engineering from Virginia Polytechnic Institute and State University, and earned his Bachelors Degree in Electronics and Telecommunications Engineering from Bombay University.	N.A.	N.A.
Joe Heel	2007	Dr. Heel holds a Ph.D. in Computer Sciences from MIT and is associated with Sun Microsystems as Senior Vice President Industries and Partners at Sun's Global Financial Services. He looks after Sun Microsystems' business with OEMs as well. Prior to Sun, he was a partner at McKinsey's High Tech Practice, where he started McKinsey's Miami operations and took care of its private equity practice. Dr. Heel has over 13 years of experience in managing senior executive relationships within the technology industry.	N.A.	100,000
Andrew McLeod	2006	Mr. McLeod has a degree in Law and an MBA. He is currently a partner with the law firm Blake, Cassels & Graydon LLP and provides advisory services on corporate and securities law.	200	100,000

Source: Company data, www.sedar.com, and www.sedi.ca

DISTRIBUTION

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ANALYST CERTIFICATION

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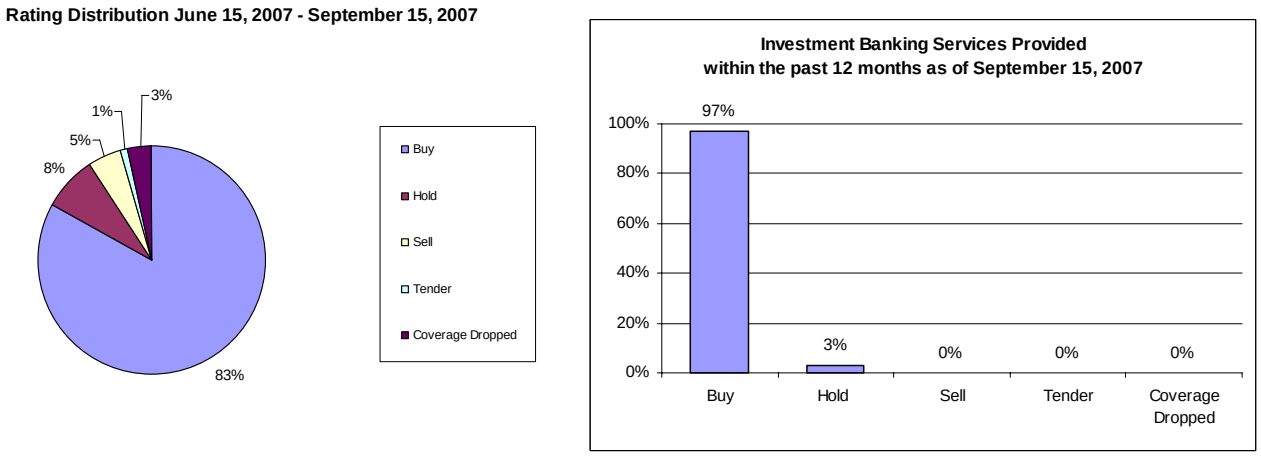

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