RAYMOND JAMES

EQUITY RESEARCH - CANADA

TECHNOLOGY - SOFTWARE

INTRINSYC SOFTWARE INTERNATIONAL

(ICS-T, $0.68)

A Window of Opportunity with Soleus

STOCK RATING: **OUTPERFORM 2**

6-12 MONTH TARGET PRICE: **C$1.15**

Financial Summary

	08/06A	08/07E	08/08E
EPS	($0.24)	($0.19)	($0.19)
P/E	n.m.	n.m.	n.m.
Revenue (mln)	$18.7	$20.8	$25.5
EV/Revenue	2.5x	2.3x	1.9x
EBITDA (mln)	($12.9)	($13.8)	($15.0)
EBITDA margin	n.m.	n.m.	n.m.
EV/EBITDA	n.m.	n.m.	n.m.

Quarterly EPS

	1Q	2Q	3Q	4Q
2006A	($0.05)	($0.08)	($0.06)	($0.05)
2007E	($0.05)	($0.05)	($0.05)	($0.05)

Enterprise Value (mln)	$47
Market Capitalization (mln)	$56
Net Debt (Cash) (mln) (mrq)	($9)
Debt/Total Capitalization (mrq)	0%
Net Tangible BV/Share (mrq)	$0.15
Fiscal Year-end	31-Aug
Shares Outstanding (mln)	83.0
Share Float (mln)	82.0

All figures in C$ unless otherwise noted.

Company Description:

Intrinsyc is a mobile software and engineering services company that provides systems integration for wireless handsets. The company has leveraged its engineering expertise to develop a high-level operating system (HLOS) called Soleus, to enable handset manufacturers and telecommunications operators to deliver feature phones more rapidly, at a lower cost, and with customizable options and design.

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OVERVIEW

We are initiating coverage of Intrinsyc Software International Inc. with an OUTPERFORM rating and a 6-12 month target price of $1.15. Intrinsyc is a mobility software and engineering services company that has positioned itself to capitalize on the growing trend towards wireless "convergence" products. To this end, the company has leveraged its expertise in Windows CE (WinCE) and developed a high-level operating system (HLOS), called Soleus, which is designed to help handset manufacturers and service providers to deliver products quicker, cheaper, and with more features and design flexibility. Although revenues to date have primarily been from engineering services, we expect Soleus to transition the company from a services business to a software product business that has greater scalability, much higher margins and more visible revenue streams. Last week, Intrinsyc announced its first design win, which provided an immediate lift to its share price. With additional design wins and volume production of handsets based on the Soleus platform, we believe Intrinsyc's valuation will expand as the company starts to enjoy the higher multiples of a software company (~2-3x sales) versus that of a services company (<1.0x sales), providing significant upside for risk-tolerant investors that invest early.

Key investment considerations include the following:

- **Stable base business + Soleus upside potential** – Intrinsyc's base business—engineering services— is growing at ~11% per year. The engineering services business counts Tier-1 mobile communications companies as its customers, including: Motorola, Nokia, Freescale Semiconductor, Intel/Marvell, Texas Instruments, and Symbian. As the Soleus story starts to unfold, it should offer

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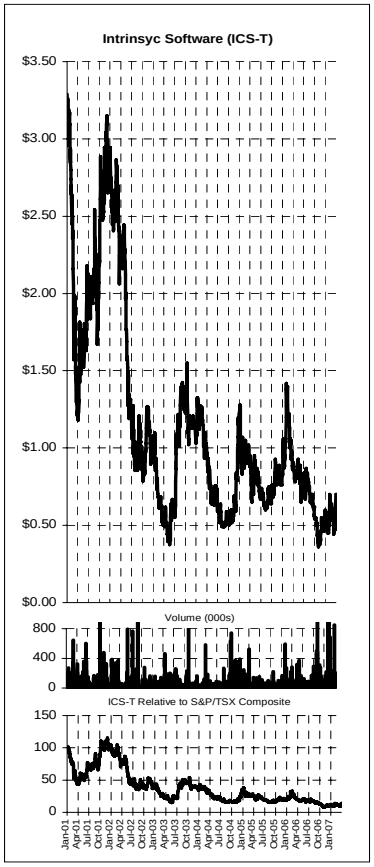


significant upside potential. Soleus, which has been in development since 2004, is a powerful end-to-end software platform for feature phones/ converged mobile devices that is now in production release and is ready for design wins.

- **Soleus addresses a huge volume opportunity** – Industry research firms predict more than one billion mobile phones will be shipped in 2007, and this figure is expected to grow to 1.3 billion units by 2010. Soleus is targeting consumer-oriented feature phones/converged mobile devices, a segment that makes up the majority of the overall market. Intrinsyc is currently in active licensing discussions with numerous OEMs/ODMs to license Soleus, and there is potential for multiple design wins per customer.
- **Opportunities for margin expansion once Soleus takes off** – Intrinsyc is targeting licensing gross margins of roughly 90% for Soleus, well above the current corporate average of 46%, providing significant potential for Soleus to improve the bottom line. In addition, we believe there is potential for operating leverage between the businesses, which should also help to improve operating margins as Soleus starts to gain traction (i.e., Soleus customers could also become Engineering Services customers).
- **Experienced management team** – Glenda Dorchak was appointed Chairman and CEO of Intrinsyc on July 31, 2006. With over 30 years of experience in the technology industry (most recently at Intel), Ms. Dorchak has already implemented new performance measurement metrics, put increased focus on milestone-driven service engagements to improve profit margins, and hired an experienced person to lead Intrinsyc's sales and marketing initiatives and position the company for future growth. In November 2006, Mark Johnston joined Intrinsyc as VP and GM of Worldwide Sales and Business Development. Before joining the company, Mr. Johnston was an executive in Intel's wireless communications business, and brings influential handheld and cellular applications industry contacts in Asia-Pacific—a target market for Intrinsyc and its flagship Soleus platform. Randy Kath, CTO, joined Intrinsyc almost three years ago to lead the development of Soleus. With over 15 years of experience in software development (including 10 years at Microsoft), he was part of the original group that developed the WinCE operating system (OS) at Microsoft.
- **Our outlook** – We expect strong growth at Intrinsyc once Soleus revenues start to ramp. For F2007 (in a year with barely any Soleus revenues), we expect 11.3% year-over-year growth to $20.8 million and FD EPS of ($0.19). In F2008, we expect revenues of $25.5 million, reflecting growth of 40.7%, and FD EPS of ($0.11). We expect Intrinsyc to turn profitable in F2010, and possibly even as early as late F2009 depending on the timing and unit volumes.
- **Attractive valuation and a largely untold story** – With only one other analyst providing research coverage on Intrinsyc, this story has not been widely told, and presents an opportunity for investors early to the party. Intrinsyc is currently trading at a C08 EV/Sales of 1.8 times, roughly in line

with the group average of 1.6 times (which includes lower multiple engineering services companies). As the company starts to generate more of its revenues from Soleus, which is primarily based on royalties, we expect valuation multiples to expand to be more in line with companies with a similar recurring revenue stream business model.

- **Key business and investment risks include:** 1) the likelihood of equity dilution in the event of equity financing; 2) the timing of Soleus design wins given long sales cycles; 3) cross-over of feature phones and smartphones, and competition from competing OS; 4) foreign currency fluctuations; and 5) customer concentration—top two customers accounted for 45% of revenue in F1Q07; and 6) the outcome of the Technology Partnerships Canada (TPC) audit, which may require additional cash outflow.

Company Profile

Intrinsyc Software International is a mobile software and systems integrator. Founded in 1996, the company has over 10 years of systems integration experience for wireless handsets, and has built strong ties with key technology partner, Microsoft. Intrinsyc helps handset manufacturers bring smartphones, feature phones, and other converged mobile devices to market quicker and with more advanced features and functionality. Intrinsyc offers end-to-end mobile ecosystem integration expertise by partnering with silicon vendors (e.g., Freescale, Intel/Marvell, Texas Instruments), mobile application software vendors, wireless carriers, and handset manufacturers. Collaborative technology partners include Freescale, Intel/Marvell, Microsoft, Symbian, and Texas Instruments. Sample customers include: Freescale, Handheld Products, Intel/Marvell, Microsoft, Motorola, Nokia, Symbian, and Texas Instruments. Intrinsyc is headquartered in Vancouver (Canada) with offices in Bellevue (U.S.) - strategically situated close to Microsoft offices - Birmingham (U.K.), and Singapore. The company employs 230 people, 80% of whom are in engineering and R&D roles, highlighting Intrinsyc's strong engineering expertise. Intrinsyc has two business units:

Engineering Services Group – This division is Intrinsyc's base business from which the company has developed strong expertise in the wireless handset market. As a wireless handset systems integrator, services include concept design and prototyping through to pre-production and production of handheld devices. Intrinsyc has deep experience in telephony integration, radio interface layers, board support packages, power management, and location-based services. As such, a typical project can include designing and enabling a broad range of handheld products across all operating systems, including Microsoft WinCE, Windows Mobile, Symbian, and Linux. Another example of a typical project is working with major software vendors, such as Microsoft and Symbian, in the development and integration of their smartphone OSs. Intrinsyc leverages its industry experience to help customers reduce development risk and costs by solving problems and reducing time to market. The Engineering Services unit has recently benefited from improving margins after the new CEO increased the company's focus on milestone-driven service engagements.

Mobile Products Group ("Soleus") – This division is Intrinsyc's newer business segment, but one that offers huge growth potential as we will discuss in the body of this report. The Mobile Products Group is focused on bringing Soleus—an end-to-end software platform, based on WinCE, for consumer-oriented feature phones/converged mobile devices—to market. Soleus has been in development since 2004, and in December of 2006, the production-ready version 1.0 was made commercially available. Soleus has been designed with the needs of next-generation network bandwidth and services in mind. It is a more flexible and efficient OS than the proprietary systems presently being used for most feature phones. Since Soleus is based on a WinCE core, it can be used with a wide array of third party applications, has customizable branding

and user interface, and allows for lower-cost CPU and memory in consumer-oriented handheld devices (versus smartphones). Intrinsyc is the only software provider with a feature phone platform based on WinCE, thus providing an early lead into those handset manufacturers that are already familiar with a Windows-based platform.

EXHIBIT 1: INTRINSYC'S CORPORATE EVOLUTION

Date	Event
31-Aug-92	The company is founded under the name I.T.C. Microcomponents Inc.
19-Jul-95	Changed name to Intrinsyc Software Inc.
04-Nov-99	Non-brokered private placement of up to $900,000 at a price of $1.00/unit. Each unit comprises one common share and one-half of one nontransferable share purchase warrant. Each full share purchase warrant entitles the holder to purchase one additional common share for a term of one year at $1.15.
29-Feb-00	Closed a private placement of up to 3,000,000 special warrants at $2.00 each. The offering was oversubscribed by 500,000 special warrants. Each special warrant is convertible at no additional costs into 1 unit, each unit consisting of one common share and one-half warrant. Each whole warrant is exercisable for a period of 2 years to acquire one additional common share at a price of $2.50/sh.
10-Aug-00	Intrinsyc and MontaVista announced an alliance for embedded Linux solutions aimed at combining research, engineering, and marketing expertise.
13-Sep-00	Private placement of up to 3,000,000 special warrants at a price of $4.50 each for gross proceeds of $13.5M (increased from 2.5M special warrants and gross proceeds of $11.25M based on investor demand). Each special warrant is convertible into one unit, with each unit consisting of one common share and one-half warrant. Each whole warrant is exercisable for 18 months to acquire one common share at $5.85/sh.
09-Jan-01	Completed listing on the Toronto Stock Exchange (TSX). Was previously listed on the Canadian Venture Exchange (CDNX), from which it delisted on January 19, 2001.
16-Jan-01	Acquired Linar Ltd., a developer of Java-based enterprise connectivity software. Purchase price of US$2.2M consisted of US$1.5M cash and 323,000 common shares, plus up to an additional $1.5M based on achieving certain performance criteria.
15-Feb-01	Intrinsyc's J-Integra, which provides compatability between the Java and Windows operating systems, is licensed by Rational Software (now part of IBM) for inclusion in two of its product lines.
14-Aug-01	Joined Sun Microsystems' Forte for Java integrated development program, which allowed Intrinsyc to build products on top of the Forte for Java platform and market products from the Forte for Java web portal.
29-Aug-01	Accepted into the Intel Personal Internet Client Architecture (PCA) Developer Network, which gave Intrinsyc enhanced access to new Intel chip technologies and development resources.
02-Oct-01	Achieved Gold member status in Microsoft's Windows Embedded Partner Program (WEP), based on their experience in reference design platforms, networking software and service solutions, as well as development of embedded Windows technologies. Gold level status gives Intrinsyc priority in strategic leads and referrals, joint technical, marketing and sales activities, and enhanced branding through the dedicated WEP Gold web page.
03-Dec-01	Selected as the Microsoft Windows Embedded Partner of the Year in the Independent Software Vendor (ISV) category. The company received the award for its Windows CE 3.0 networking and remote management software solution, development of Microsoft .NET technology, and promotion of Windows CE 3.0 and Windows CE .NET devices.
29-Jan-02	Closed a $10M equity financing comprising of 4,166,700 special warrants at a price of $2.40 each. Each special warrant is exercisable into into one common share by June 3, 2002 at the latest.
26-Jun-02	Completed acquisition of UK-based NMI Electronics Ltd., which is a Microsoft Windows Embedded Partner (WEP) Gold-level member in the development of Windows CE-based wireless and smartphone solutions. Purchase price of C$6M with additional performance-based payments of C$9M (revenue of C$7.1M in year one, and revenue of C$8.6M in year two).
12-Aug-02	Received a $6.4M conditionally repayable investment from the Government of Canada through Technology Partnerships Canda (TPC). Repayable through royalties on incremental sales.
22-Oct-02	Selected as the Microsoft Windows Embedded Partner of the Year for the 2nd consecutive year.
26-Feb-03	Announced an agreement with IBM to develop and distribute products based on IBM's PowerPC 405EP embedded processor.
30-Apr-03	Completed a corporate restructuring with a 25% reduction in headcount and a restructuring charge of $800K to result in estimated annual savings of $2.5M.
14-Oct-03	Joined the Symbian Platinum Program to provide embedded software development solutions and engineering services to licensees of the Symbian OS.
28-Oct-04	Completed a rights offering (fully subscribed). The rights were exercised for a total of 11,246,743 common shares for gross proceeds of $5,632,671. Existing shareholders received one right for each common share with four rights entitling the holder to purchase one common share at an exercise price of $0.50.
04-Oct-05	Completed an $8M debenture financing for net proceeds of $7M. Issued Wellington Financial 3,870,968 special warrants, each exercisable for one common share purchase warrant. Each common share purchase warrant has an exercise price of $0.62 per share at any time prior to October 3, 2010.
14-Nov-05	Selected as the Microsoft Windows Mobile 5.0 integrator for Texas Instruments OMAP2420 application processor.
05-Jan-06	Demonstrated Soleus (the Microsoft Windows CE-based feature phone platform) at the 2006 Consumer Electronics Show.
13-Feb-06	Pre-release version of Soleus was made available. Also announced the development and demonstration of Soleus-based feature phone reference designs and handsets at the 3GSM World Congress 2006.
30-Mar-06	Closed an offering of 26,796,401 units at a price of $0.90/unit. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $1.05 for four years. Gross proceeds were $24,117,000, and net proceeds are $22,029,000.
05-Apr-06	Demonstrated Soleus at the CTIA Wireless 2006 conference.
12-Jun-06	Announced Wistron Corporation, a leading ODM for communications products, as the 1st licensee for Soleus.
29-Jun-06	Signed a MOU with Ginwave Technologies Ltd., an independent handset design centre, to evaluate Soleus for mobile phone designs.
18-Jul-06	Signed a MOU with Cellon International, a designer & systems integrator in the wireless handset industry, to evaluate Soleus for feature phone designs.
24-Jul-06	Appointed Glenda Dorchak, a board member of the company, as CEO of the company to succeed CEO & founder Derek Spratt. Ms. Dorchak is also appointed as Chairman of the board of directors.
02-Aug-06	Freescale Semiconductor named Soleus as the Freescale Partner Solution of the Year.
02-Nov-06	Hired Mark Johnston to be VP & GM of Worldwide Sales and Technical Marketing. Mr. Johnston, a former Intel executive, brings relevant handheld and cellular industry contacts in Asia.
21-Dec-06	Completed the production release of Soleus version 1.0.
12-Feb-07	Announced the availability of Soleus for Marvell's PXA3xx application processor platform - to speed the adoption of Soleus with ODMs/OEMs in Asia.
21-Feb-07	Appointed Joe Heel, SVP of Sun Microsystems Industries and Partnerships, to the Board of Directors.

Source: Company reports, RJ Research estimates and analysis

Strong management to lead Intrinsyc's growth

Intrinsyc has assembled an executive team that has extensive experience working with the company's current and future partners in the mobile ecosystem. On July 31, 2006 Glenda Dorchak, who has been a director of the company since March 16, 2004, was appointed Chairman and CEO, which has allowed for a smooth transition. She has more than 30 years of experience in the technology industry, most recently as VP and COO of Intel's Communications Group, VP and GM for Intel's Broadband Products, and VP and GM of Intel's Consumer Electronics Group. In her past roles at Intel, Ms. Dorchak drove the strategic direction and product development for embedded communications and consumer electronics devices. With her solid business background and past track record, we believe Ms. Dorchak will be able to successfully lead Intrinsyc in its next phase of growth with Soleus. After only a short time at the helm, Ms. Dorchak has already implemented new performance measurement metrics, increased the company's focus on milestone-driven service engagements to improve profit margins, and hired an experienced person to lead Intrinsyc's sales and marketing initiatives and position the company for future growth.

Mark Johnston, VP and GM of Worldwide Sales and Business Development, was Ms. Dorchak's first pertinent hire upon joining Intrinsyc as the company's CEO. Mr. Johnston was a 22-year veteran at Intel in its wireless communications business, and brings influential handheld and cellular applications industry contacts in Asia-Pacific—a region which is a target market for Intrinsyc and its flagship Soleus platform. After only a few short months in his role, Mr. Johnston has already added value by establishing sales teams in Asia/Pacific and the Americas, and is using his existing relationships to open up opportunities for Soleus.

Randy Kath, joined Intrinsyc almost three years ago to lead the development of Soleus. He has more than 15 years of experience in software development, including 10 years at Microsoft where he attained Partner status as GM of the Embedded Platform Group and was part of the original team that developed the WinCE OS. Under Mr. Kath's direction, Intrinsyc opened its Bellevue office, allowing for convenient co-location and collaboration with Microsoft. We believe Mr. Kath has been and will continue to be an integral part of the development team due to his expertise with WinCE and his strong ties to Microsoft.

We estimate that management and the Board of Directors currently own 1.2% of the basic shares outstanding. In addition, insiders hold roughly 3.4 million options with exercise prices ranging from $0.39 to $3.21 depending on when the options were issued.

Investment Perspective

Intrinsyc is at the cusp of a major transformation

Intrinsyc was formed 11 years ago as a systems integrator for the mobile industry. Today, the company is at the cusp of a major transformation as it evolves into a software product company that addresses the enormous and growing consumer handheld device market from its roots as a services company—which can typically be characterized as lacking the ability to scale (for each incremental dollar of revenue, there are incremental costs), lower margins, and choppy unpredictable revenues with high fixed costs (i.e., engineering head count). This natural evolution has been made possible by leveraging the company's engineering expertise and resources built over a decade of helping customers bring leading-edge wireless handset devices to market. Soleus, a HLOS platform that is based on the WinCE OS for consumer mobile devices, is driving this transformation. With Soleus, Intrinsyc now has the ability to enjoy the benefits of scalability, higher margins, and greater predictability of the software licensing business model. Moreover, the company is targeting a large and attractive market with significant volume potential. We believe Intrinsyc has a window of opportunity to get a foot hold with handset manufacturers as they start to incorporate HLOS into their feature phones. We further believe that Intrinsyc's ability to leverage its existing relationships/ channels developed through its engineering services business will play a critical role in the company's ability to realize Soleus' potential as one of the HLOS platforms of choice for handset vendors.

Success with Soleus could provide significant upside

We believe now is the time for growth investors with some appetite for risk to consider investing in Intrinsyc. Not only is the company's systems integration business enjoying respectable growth, investors have an opportunity to invest before significant share appreciation occurs as the Soleus story starts to unfold. We believe timing, and in particular the timing of design wins, will be critical since once a handset manufacturer selects a HLOS, it would be difficult for them to switch. Now that the company has secured a design win with a leading manufacturer of personal navigation and handheld devices, we believe this is the start of positive momentum for additional customer and design wins. This will drive explosive revenue growth through significant volumes for Intrinsyc going forward. With a higher rate of revenue growth and better margins, Intrinsyc should enjoy the higher multiples that come with being a software company with strong growth. We believe that the stock could double from current levels, providing risk-tolerant investors with potential for significant upside.

Window of Opportunity in Feature Phones/Converged Mobile Devices for Consumers

Feature phones are essentially consumer-oriented mobile handsets with built-in features (e.g., personal information manager (PIM), messaging, cameras, and media players) and average selling prices (ASPs) less than $200. One example of a feature phone that is popular worldwide is the Motorola RAZR. Mobile phones sold today are rarely voice-only products, except for the ultra-low-cost

handsets that are targeted at emerging markets. The majority come bundled with camera features and/or MP3 capabilities. Some even incorporate GPS, gaming, and/or mobile-TV functions.

To remain competitive, it is becoming increasingly important for feature phone vendors to be able to: 1) increase the number of innovative and appealing designs (with an ever increasing number of features) they can offer; 2) shorten the time to market; 3) reduce costs – both bill of materials (BOM) and design costs; and 4) add features that demand greater processing power (e.g., 3G data, multi-media, and music). Currently, most feature phone operating systems are based on RTOS (real-time operating systems), which are proprietary systems based on simple instructions. Although RTOSs are inexpensive, they are highly inflexible as software code must be re-written for each device, resulting in poor economies of scale. It is believed by industry experts that the existing software/hardware combinations for feature phones are proving inadequate to meet the above demands. These proprietary OSs are dated (over 10 years old) and the tools to support them have not kept pace with demands of the next generation feature phones. Perhaps even more relevant, in most cases, these proprietary OSs are unable to support the growing demands of the new multi-media features that require multi-tasking capabilities and higher processing power. Currently, some handset manufacturers are spending incremental R&D to tweak their proprietary systems in order to integrate these new features – but at significantly increased development costs and time. To remain competitive and relevant, feature phone manufacturers will need to retool. We believe these manufacturers are in the process of carefully evaluating future platforms and software tools to support their next generation of feature phones and to address these issues.

Mobile handsets have become a fashion accessory for most consumers

Smaller device sizes and feature-rich handset designs have become a key trend in recent years. In fact, mobile handsets have become a fashion accessory for most consumers, and the trend is to have the "coolest" new devices with more functions integrated onto a single device. In keeping up with these demands, handset vendors face growing pressures to increase the number of handset designs introduced to the market and to launch new products even faster to maintain momentum and market share. The availability of increased choice with greater features and functionality is resulting in shorter product life cycles, and more frequent replacement of handset devices by consumers.

At the same time, carriers are constantly looking for ways to differentiate themselves from the competition, including securing exclusive deals with handset vendors for the supply of popular designs, such as the Motorola Q at Verizon Wireless or the new iPhone at Cingular. In addition, there is a growing trend for carriers to brand their own handsets, or to customize devices to have a common "look and feel" across their product offering.

Carriers are looking for ways to increase ARPU and product differentiation

Moreover, if this was not enough, carriers are increasing the types of mobile services offered to subscribers to increase average revenue per user (ARPU) as revenues from basic voice services are dropping due to competition. This

has been a clear trend, particularly in regions with higher mobile subscriber penetration. As Panagrossi, the VP of U.S. operations at Symbian, so aptly puts it, "We've seen that play out in Japan and other regions…there's a clear connection between market saturation and the uptake of services." To offer new mobile services, new applications need to be loaded onto mobile handset devices, and thus, carriers have become key influencers in the handset manufacturers' product roadmap. Operators are looking to deliver increasingly complex solutions at ever decreasing prices, and are pushing these requirements onto the handset vendors, who need to balance the need to maximize their investments as they attempt to deliver these value-added offerings while maintaining the flexibility to meet customer demands.

Rising development costs for mobile handsets have become a key industry issue

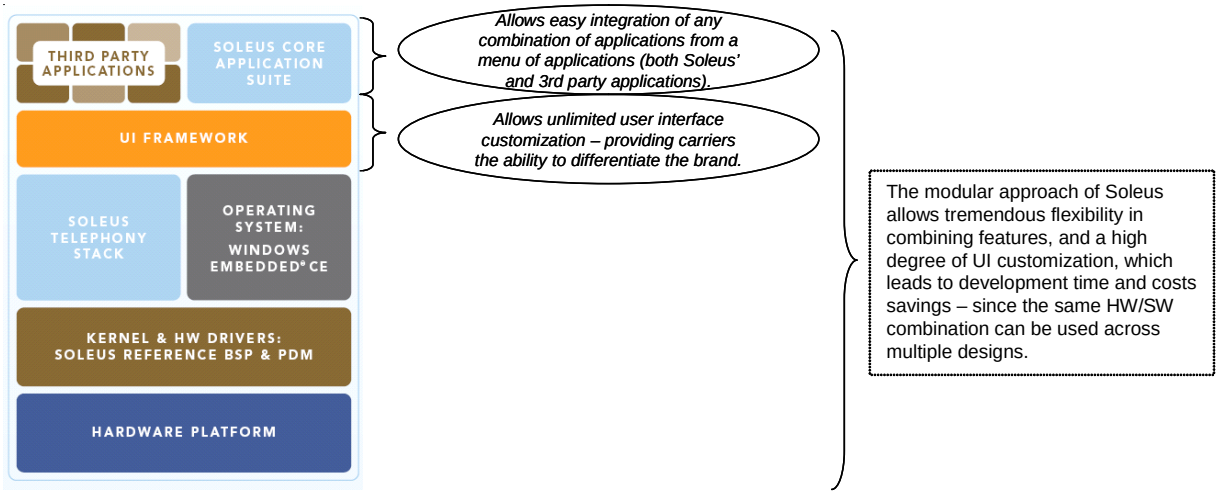
As a result of these trends, handset designs have become increasingly complex which, in turn, has resulted in higher development costs. Rising development costs for new mobile handset devices have become a key industry issue, particularly amid mounting ASP pressures, tighter margins, and a push by the carriers and end-consumers for the accelerated introduction of new products and services. In particular, the addition of new features to a handset design (e.g., GPS, entertainment, multi-media, camera) can be taxing on both the hardware as well as the OS itself, making it even more challenging to build new handsets from scratch. There are over a thousand designs introduced to the market each year, and each one needs to be customized, thereby taking a toll on the development phase. The amount of customization work that is required for these feature-rich phones results in increased complexity and higher incremental R&D costs. We believe these trends will drive the adoption of HLOSs that are capable of handling multiple features for mass-market phones (and perhaps drive increased demand for engineering services, such as those offered by Intrinsyc).

Soleus: The Solution?

Soleus, a HLOS, was designed with the goal of addressing the very issues facing the consumer feature phone industry discussed above. Soleus is a complete mobile handset software platform that was developed to bring the benefits of a HLOS to the feature phone value chain, including: 1) increased ability of handset manufacturers to respond to features demanded by end-consumers and carriers; 2) accelerated time to market for new products; 3) while at the same time at a reduced cost; and 4) allowing carriers to better control user experience, branding and customization of applications.

At the heart of Soleus is the WinCE 5.0 OS kernel, which Intrinsyc has optimized for use in designing and developing mass market converged mobile devices by building its own telephony stack and related features to control the device (e.g., alarm, calculator, calendar, call history, camera, PIM, dialer, media player, phone settings, SMS, and theme manager). Soleus provides a turnkey development platform, which allows a modular approach to configuring handset software with a set of standard software components (see Exhibit 2).

EXHIBIT 2: THE SOLEUS PLATFORM



Source: Intrinsyc

These software components can be used in any number of combinations, allowing easy development of handset designs. In addition, Soleus is equipped with a user interface (UI) design framework that is easy to use, allows a high degree of customization, and minimizes the amount of custom code required. Soleus, with these characteristics, enables handset manufacturers to design multiple handsets more cost-effectively and with shortened time lines, and provides them the ability to customize for branding and/or product differentiation to meet the requirements of wireless carriers. Below, we list some of the specifics that make Soleus an attractive platform for consumer-oriented mobile devices:

1) **WinCE at its core** – WinCE is a reliable and proven Microsoft OS that has been on the market for more than a decade, and has a large community of developers, as well as a wide array of third-party applications. In addition, Soleus is integrated into the Microsoft tool chain and takes full advantage of the advanced features found in the Microsoft Platform Builder and Microsoft Visual Studio for platform development, which minimizes the amount of custom code required—even as multiple models are developed from the same base hardware platform. A report released by Embedded Market Forecasters in July 2003 concluded that projects based on Windows Embedded, including WinCE were completed 43% faster and at 68% lower cost versus those of similar projects based on Linux. Currently, Soleus is the only platform available based on WinCE.

2) **Real-time-event driven personalization** – A unique benefit of the Soleus platform is the ability to allow carriers to offer—in real-time—event-driven personalization to drive incremental value-added revenue based on the user's preferences and/or proximity to events (e.g., concerts or sporting events). For example, in one scenario, a handset user enters a Wi-Fi hotspot, and a Soleus-based mobile device can ask the user if he/she

would like to change to the Wi-Fi theme. Upon changing the theme, new applications, such as video conferencing, streaming media and a broadband browser, are exposed and made available.

3) **Optimized for mass market consumer phones** – Soleus has a small footprint that allows for a lower cost CPU and less memory, enabling multimedia functions at a fraction of the cost relative to a smart phone. For example, end-to-end software for a feature phone is an estimated $8 versus $15 to $20 for a smart phone. Unlike Linux, which was ported from a desktop/server operating system, WinCE was built from the ground up to run on a smaller footprint than other OSs. This translates into lower BOM costs for a mobile device, while still providing the benefits of a HLOS.

Soleus is not the only HLOS, so why Soleus?

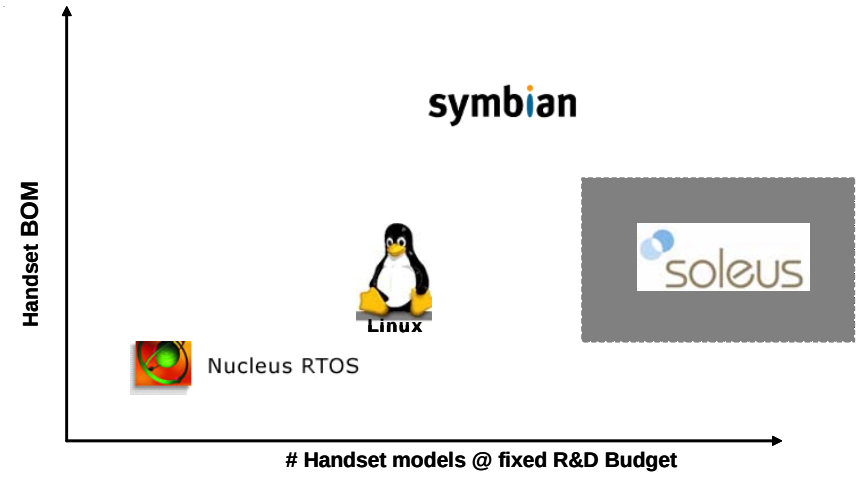
Soleus – saves time, easy to use, sticky . . .

We believe Soleus could be one of the platforms of choice, particularly for those handset device manufacturers that are already familiar with the Windows software (IDC projects that Windows Mobile will be the second most prevalent OS for smartphones). As discussed above, there are a number of good reasons (including time, cost, and ease-of-use benefits, and a strong Windows developer community) for switching to the WinCE software platform. In addition, we believe—once Soleus secures design wins—it will be difficult for manufacturers to switch out because OS selection is a major decision, and switching platforms involves significant time and cost. As the first and only WinCE-based HLOS, Soleus should enjoy the benefits of being the first to the market. A design win with a given customer should mean Soleus will be incorporated across multiple designs at the same customer since the handset OEM/ODM wants a positive ROI to make the switch worthwhile. Once again, this should increase the stickiness of Soleus.

. . . leverages strong Windows community, and is cost-effective

The fact that WinCE is the foundation upon which Soleus was built should provide Intrinsyc's potential customers some comfort given WinCE's reliable track record. This is important because while Intrinsyc is reputable for its work on other developers' OS, the company is a new entrant with respect to offering its own solution. Windows is perhaps the most ubiquitous software brand in the world as a result of its massive installed base in both the home and office. The growing success of Windows Mobile (it has more than 50 licensees) has deepened the credibility of Microsoft in the handset market, and by building Soleus on WinCE, Intrinsyc will be able to leverage some of this brand power and reap the benefits in the consumer market—a segment that Microsoft is not currently targeting with Windows Mobile. As Exhibit 3 shows, Soleus enables handset manufacturers to cost-effectively reach a broader set of market opportunities—through increased number of models at a fixed R&D budget.

EXHIBIT 3: R&D OUTPUT OF SOLEUS VS. COMPETING OS



Source: Intrinsyc

Competing HLOS each have their advantages, but also have drawbacks

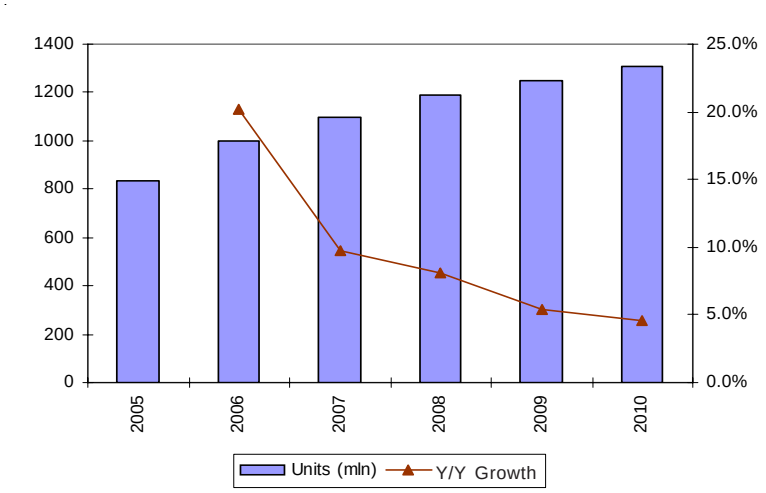
The primary competing HLOS, such as Linux and Symbian, are credible alternatives and while each have their advantages (as discussed later in the Competitive Landscape section), they also have significant hurdles to overcome. Although Linux is open-source, meaning that developers have free access to the license, it has hit a major stumbling block in that it is not easy to transfer the software code from one handset to another—even within the same manufacturer. Linux is an inflexible OS that requires customization for each vendor's handset (i.e., requires software code to be re-written for each model). This ultimately increases development costs and makes it an expensive alternative that has limited ability to enjoy economies of scale. In addition, this inflexibility leads to longer development times and delayed time-to-market for new designs. Not only does each new design require new software programming, carriers need to test each device, which can also be time-consuming and costly. Recognizing these inherent problems, device manufacturers, carriers, and Linux software developers have begun to create development groups to form common standards to address these issues.

Symbian is focused on the higher-end smartphone segment of the market, for which the company holds the largest market share. Symbian has increased its licensing revenues through the use of a volume-focused business model. To further its growth, it is likely that Symbian will move downstream from smartphones to feature phones to capture a greater share of the mass market. However, in order to make the transition from smartphones to feature phones, Symbian must scale down its OS to a lower price-point (trim BOM costs), and in particular, it will need to improve performance, reduce its footprint (cut memory usage), and lower its power consumption.

How Big is Intrinsyc's Market Opportunity?

According to IDC, there were 1 billion mobile phones shipped in 2006 and this number is expected to grow to 1.3 billion by 2010. As Exhibit 4 shows, the overall mobile handset industry growth rate is now stabilizing at approximately 7% per year. This follows robust double-digit growth rates in the past several years. Other than increasing penetration of mobile handset users in emerging markets, the bulk of today's shipments are comprised of replacements. The availability of increased choice with lots of features and functionality is resulting in shorter product life cycles, and more frequent replacement of handset devices by consumers.

EXHIBIT 4: WORLDWIDE MOBILE PHONE SHIPMENT FORECAST (IN MLN UNITS)

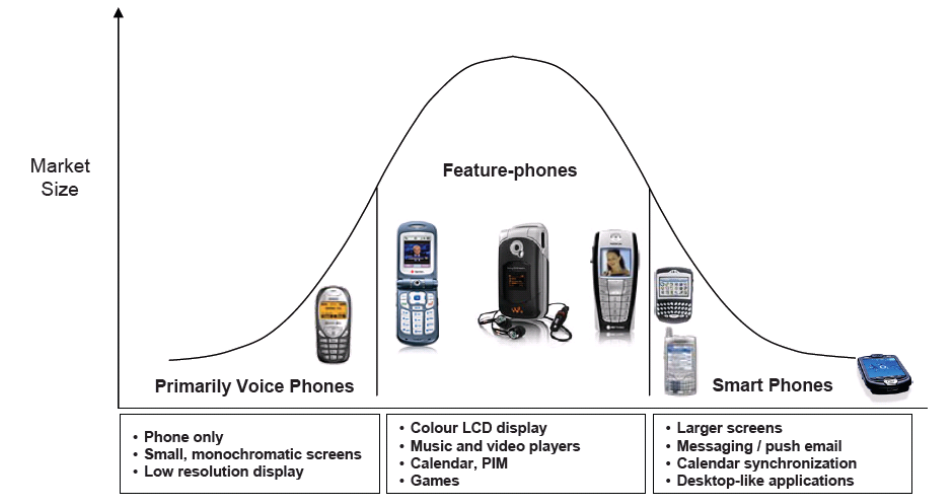


Source: IDC (December 2006)

Feature phones account for the largest segment of this enormous market. Intrinsyc's management estimates this segment represents roughly 65% of the overall handset market (see Exhibit 5). However, IDC believes that "…the market for feature phones even as it grows in unit terms, will tend to be squeezed in percentage terms between the converged mobile devices [smartphones] on the one end and low-end basic phones on the other." IDC is estimating smart phones will grow at a CAGR of 33.4% from 2006 to 2010. Based on IDC's smartphone forecast, along with the overall market growth expectations of 7% (as shown in Exhibit 4) over the same period, and our assumption that the growth in the low-cost handset segment will account for the balance of the growth (due to increasing penetration in emerging regions), we estimate flat to marginal growth for the feature phone market of roughly 660 million units per year. Based on this analysis, we believe that by 2010, feature phones as a percentage of the overall handset market will decline from 66% to 50%. We believe this trend will hold true in the next several years, as growth in the use of basic mobile phones in emerging markets and the emergence of prosumers who may choose smart phones will both encroach into the feature

phone market. However, as the emerging markets become more affluent, we believe the feature phone market will start to regain share as basic phones are replaced by feature phones, especially among the younger population. Furthermore, we believe innovative product designs, such as Apple's iPhone (with the touch-screen display) and the LG Prada phone at the $500-$700 price points (which we would characterize as high-end feature phones), will put pressure on and incent handset manufacturers to develop similar phones at lower price points (sub-$200) to compete and drive adoption by the mass consumer base. These developments should serve to increase the market opportunity for Soleus.

EXHIBIT 5: FEATURE PHONE MARKET SEGMENT



Source: Intrinsyc

Even a small piece of the pie could mean success for Intrinsyc

Despite the intense competition, the high-volume consumer market for feature phones is a compelling target market for Intrinsyc. Given the flexibility of the Soleus platform, and the easy-to-use and customizable UI application framework, we believe that Intrinsyc has the ability to capture a significant market share. As discussed above, we estimate the feature phone market to be roughly 660 million units. Thus, excluding Nokia's market share of approximately 23% for feature phones (given its commitment to its own OS), we estimate that the addressable market for companies, such as Intrinsyc who target this market, will be roughly 510 million units. Even if Intrinsyc were to attain a modest 1% market share of this market opportunity (or 5.1 million units), we project revenues of $15.3 million to $23.0 million (depending on volumes and per unit royalty fees), essentially doubling the size of Intrinsyc's business.

Mobile Products Group ("Soleus")

As discussed throughout this report, Intrinsyc's Mobile Products Group is the growth engine for the company. Now that the company has crossed the hurdle of securing its first design win with a path to volume production, we expect additional wins to follow. Upon signing of a licensing agreement with a new customer, Intrinsyc will charge an up-front licensing fee which is intended to act as a hurdle to ensure that licensees are serious about developing handsets using Soleus, and to cover costs to Intrinsyc during the 6 to 9 months of development time before product volumes ship. In addition, the company will charge an annual fee to cover maintenance and support of Soleus. We expect the vast majority of the revenue potential to be derived from royalties earned on each handset shipped featuring Soleus. Royalty fees will vary depending on volumes. In general, customers will earn the right to the lower end of the company's targeted range with higher volumes.

Soleus licensees would also require a WinCE core license from Microsoft at a cost of $3.00 per unit (source: Microsoft website), or lower depending on volumes. We note that most of Intrinsyc's early customers will already be heavy users of WinCE, putting them at the low end of the price points for WinCE licenses. Microsoft's ability to share in the revenue from the success of the Soleus platform should provide a strong base of support to Intrinsyc from Microsoft. Overall, Intrinsyc estimates that handset vendors using Soleus will have a total BOM cost of roughly $8, including software from third-party software developers for additional applications, which is competitively priced lower than BOM costs for smartphones (at roughly $15 to $20 per unit), and even for devices based on Linux and Symbian.

Go-to-Market Strategy for Soleus

Targeting design wins with manufacturers that already have a path to market

Until last week, Intrinsyc only had established relationships with Wistron, Cellon International, and Ginwave. However, these partners do not have a path to market for a Soleus-based product. As such, the company recently started to focus on securing design wins with a volume mobile handheld device manufacturer that already has a path to market for new handset designs. Last week's win with a leading manufacturer of personal navigation and handheld devices (which we believe is Mitac) is the result of Intrinsyc's more focused sales and marketing strategy. We estimate that there are at least a dozen companies currently evaluating Soleus, and expect additional design wins to follow. The company's up-front licensing fee (as discussed above) is a vehicle to garner immediate developer commitment from new licensees. Based on the evaluations to date, we estimate that volume production (and thus, Soleus revenues) will likely commence 9 months after signing a licensing agreement. Our view is that if Intrinsyc can successfully generate enough support for Soleus—sooner, rather than later—then, faster and deeper penetration for the platform becomes more of a reality. Essentially, we believe this is the perfect time for Intrinsyc to launch Soleus. Not only is the software platform now ready

(and in the hands of various potential customers), the industry is ready to buy it (given industry trends described earlier). Intrinsyc's management is currently in various stages of discussions with potential customers spanning all four of its target customer groups. We have listed these target markets in order of when we expect design wins to occur.

Intrinsyc is in various stages of discussions with potential customers in all target customer groups

1) **Manufacturers of Win-CE based handheld devices that want to add telephony capability** – e.g., personal navigation devices, mobile TV, VoIP phones. We believe these customers can benefit from Soleus because they will be building on their WinCE investment, allowing them faster time to market for new products.

2) **Smartphone manufacturers (using Windows Mobile) that want to move downstream to mass market consumer-oriented handsets** – Since Soleus is based on WinCE, developers can easily port features from Windows Mobile into the Soleus platform. We believe this set of customers will represent a higher volume opportunity than the first wave of customers as discussed above.

3) **Consumer electronics OEMs that want to expand their product portfolio into the mobile phone space** – e.g., Toshiba and Panasonic. These types of companies are looking to leverage their IP and their significant brand equity for consumer electronics products by entering the converged mobile device market. We note that many of the consumer electronics products today are based on the WinCE OS, which means that Soleus would be an ideal choice due to the familiarity of the WinCE platform and the tools to produce a branded product without having to start from scratch internally.

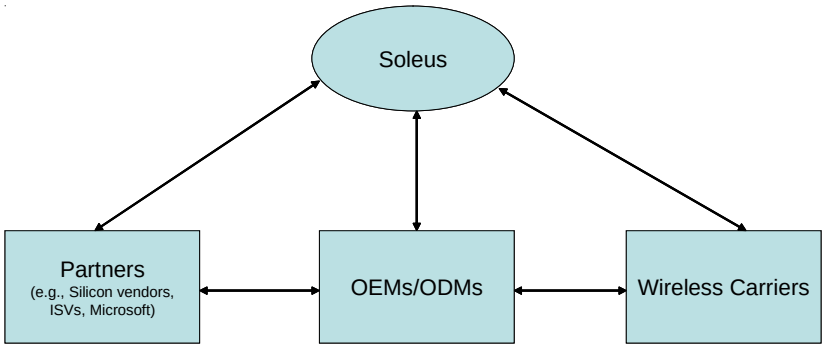
4) **Top-tier consumer handset OEMs focused on rich multi-media devices** – Intrinsyc already has established relationships with three of the top five Tier 1 manufacturers through its engineering services business. We believe this target market will likely take the longest for Intrinsyc to secure design wins due to longer decision-making cycles, as well as the fact that they have already invested considerably in other OS platforms. For example, currently Nokia is backing Symbian, and while Motorola is working with Windows Mobile for its enterprise handsets (e.g., Q), the company has also expended considerable effort in developing Linux as its HLOS for consumer handsets, primarily in the Asia-Pacific region. However, it is a possibility that even groups such as Motorola who are backing Linux, may switch to Soleus—if Soleus starts to experience an accelerated uptake. In other words, if Soleus takes off with the first three target markets, Tier 1 OEMs may feel compelled to consider Soleus much quicker due to time to market pressures, and the flexibility that the platform offers.

Generating Support from Industry Stakeholders

Buy-in along the entire value chain will be critical to the success of Soleus

As Intrinsyc looks to gain traction with Soleus, having buy-in along the entire value chain will be critical since selecting an OS involves many factors that can be influenced by each member of the value chain. With this in mind, a key element of Intrinsyc's go to market strategy is to align itself with key partners along the entire mobile handset supply chain, which includes (see Exhibit 6): silicon vendors, ISVs (independent software vendors), handset manufacturers (OEMs/ODMs), and wireless carriers (including MVNOs). Intrinsyc should be able to leverage the Engineering Services Group's existing relationships with key partners along this value chain. We believe Intrinsyc will have success with this strategy because Soleus was designed with all stakeholders in mind and provides something for everyone. As discussed thus far, Soleus allows handset vendors to stay competitive and allows carriers to benefit from the increased ability to respond to features demanded by the market and ease of customization/ branding. Perhaps not as obvious is the potential benefits Soleus brings to silicon vendors and ISVs and in turn, why buy-in from them is critical.

EXHIBIT 6: HANDSET INDUSTRY VALUE CHAIN



Source: Raymond James estimates and analysis

Silicon vendors – Silicon vendors provide the hardware foundation on which Soleus and the other OS software must run. Thus, co-operative engineering effort by both parties is required to ensure that Soleus is able to run on a given silicon vendor's new hardware or reference platform. The co-operation does not stop here. A co-ordinated effort on the sales and marketing front is needed to bring certified designs to handset manufacturers. Thus, as there are considerable investments required by both the OS provider (such as Intrinsyc) and silicon vendors, both parties must take care in selecting the right partners. Due to the large upfront investment required for new platform designs, handset manufacturers will make changes as infrequently as possible. Thus, future product roadmaps are important. Handset manufacturers tend to align their product roadmaps with their chipset vendor's roadmaps. Selection of chipset vendors and OS vendors are made at the same time to ensure that all parties involved are aligned and are compatible. As such, it is imperative for Intrinsyc to partner with the silicon vendors that have a strong customer base. Similarly,

the silicon vendor must ensure that they have partnered with an OS vendor that has a solid product and strong traction with customers. In the fight to reduce costs, handset manufacturers are increasingly putting pressure on their chipset suppliers and "shopping around" for cheaper chipsets. This is causing fierce competition among the silicon vendors, and there has been some shuffling of silicon vendors at the top handset manufacturers. With this backdrop, it would be quite advantageous to partner with Intrinsyc, which not only offers a compelling solution to address the competitive market pressures, but does so at a reduced cost. At the recent 3GSM trade show held in February 2007 (world's largest annual wireless conference), Intrinsyc and its silicon vendor partners demonstrated a development platform using Freescale's i.MX31 multi-media application processor and Marvell's PXA3xx application processors. Just as Intrinsyc can benefit from its silicon vendors existing relationships, silicon vendors can equally benefit from the strong push by Intrinsyc to make the Soleus platform a success.

Independent software vendors (ISVs) – As mentioned earlier, Soleus provides the basic core applications such as the dialer, SMS messaging, phone book, and basic media player components. To supplement the core applications available through Soleus with additional components typically required for feature phones, Intrinsyc will need to depend on third-party ISVs. Thus, it is critical that Soleus also has buy-in from as many ISVs as possible. To this end, Intrinsyc has announced several ISV relationships to fill application gaps for a fully-featured Soleus-based product. These include: Esmertec's Jbed software solution for JVM (java virtual machine); Avanquest Software's Mobile Sync software to enable synchronization between the mobile device and PC data and applications; SHAPE Services for a complete messaging solution for mobile devices; Nuance Communications for handwriting and voice dial; Implicit Solutions for gaming; WinWap for browser and multi-media; WebIS for email; and AOL/Tegic for predictive text. As Soleus gains more traction, we expect other ISVs to follow suit and develop applications for Soleus-based handset devices. For those ISVs that are already developing software for devices that run on Windows Mobile, they have an opportunity to expand their addressable market to the feature phone segment. Recall, Windows Mobile is also based on WinCE, which means that applications that run on Windows Mobile can also run on Soleus with only minor modifications (i.e., target an expanded addressable market with little incremental development). For those ISVs that don't currently have software that address WinCE or Windows Mobile, they have an opportunity to open up their business to include both Windows Mobile for smartphones and Soleus for mass market consumer devices. Moreover, since Soleus is built on WinCE, ISVs can use the same Microsoft development tools (Visual Studio and Platform Builder) to integrate their applications with the handset device, allowing developers to produce higher quality applications faster than they otherwise could. We view these as important benefits since quality and speed to market are key factors for the success of ISVs.

Engineering Services Group

As previously discussed, Intrinsyc's Engineering Services Group provides systems integration services to OEMs and handset manufacturers such as Motorola and Nokia. In delivering these services, they also partner with silicon vendors (e.g., Texas Instruments and Freescale) and ISVs. In addition, they have provided assistance to major software vendors, including Microsoft and Symbian, in the development of their smartphone OSs. As such, the company has a wide breadth of OS expertise, including Microsoft WinCE, Windows Mobile, Symbian, and Linux. Despite the company's work across these OS, we note that the majority of Intrinsyc's projects are based on Windows-based OS (roughly 75%), with 25% to 30% on Symbian, and the balance on other types of OS, such as Linux.

With over 10 years of experience providing systems integration services across the wireless handset value chain, we believe Intrinsyc has intimate knowledge of the key industry trends and the key issues facing the industry today. Our discussions with a couple of key customers confirm that Intrinsyc has strong expertise, particularly in the Microsoft WinCE and Windows Mobile OS, and the company has been identified as one of the top five systems integrators for Windows-based operating systems. Microsoft's website lists Intrinsyc as a WEP (Windows Embedded Partner) Gold-level member, which means that the company is considered best-of-breed due to its demonstration of excellence in building and enabling Windows-powered solutions.

Intrinsyc has strengths in telephony, radio interface layers, BSPs, and power management

The Engineering Services Group has specific strengths in the areas of telephony and radio interface layers, the development of board support packages (BSPs), power management, and more recently has added strength in location-based services. Power management is critical, particularly for mobile devices. The limited success of the first release of Motorola's Q due to limited battery life (3 to 4 hours) is a perfect example. Intrinsyc's expertise in optimizing battery life on mobile and embedded handheld devices has allowed them to successfully assist their customers to address power management. For example, they were able reduce power consumption by as much as 58% to improve battery life on Windows Mobile devices that operate on ARM (CPU).

Steady, stable business with improving margin profile

Intrinsyc's Engineering Services Group has been growing at a CAGR of 11%, however with unattractive EBITDA margins. With the measurement metrics implemented by the new CEO, and an increased focus on milestone-driven approach to service engagements, we believe the division is beginning to and will continue to benefit from improving margins (see Exhibit 7). In addition, we believe that this division will benefit from the same trends (as discussed previously) that Soleus is expecting to exploit (including development cost and time to market pressures). We believe these issues will drive increased demand for Intrinsyc's systems integration services and allow this group to enjoy stronger and longer term relationships with customers. We have already started to see this trend materialize – Intrinsyc's latest services contract with a Tier 1

OEM involves helping this customer bring to market its next-generation smartphones. Moreover, we see opportunities for incremental service engagements as Soleus secures design wins. In particular, we believe Soleus-adopters will retain the services of Intrinsyc's Engineering Services Group to help bring new devices to market faster.

EXHIBIT 7: BASE BUSINESS FINANCIAL METRICS (EXCLUDING SOLEUS EXPENSES)

	F1Q05	F2Q05	F3Q05	F4Q05	F1Q06	F2Q06	F3Q06	F4Q06	F1Q07
Revenue	**3.7**	**4.2**	**4.3**	**5.4**	**4.6**	**4.8**	**4.4**	**4.9**	**5.0**
Gross profit	**1.7**	**2.1**	**2.0**	**2.8**	**1.9**	**1.6**	**1.5**	**2.3**	**2.3**
Gross margin %	*45.8%*	*49.6%*	*45.7%*	*50.8%*	*41.4%*	*33.6%*	*35.2%*	*46.7%*	*46.1%*
EBITDA	**0.1**	**0.5**	**0.2**	**0.7**	**0.1**	**(0.5)**	**(0.4)**	**0.3**	**0.4**
EBITDA (as a % of sales)	*2.2%*	*11.0%*	*5.6%*	*13.2%*	*2.2%*	*-10.3%*	*-9.5%*	*5.9%*	*7.5%*

Note: excludes Soleus-related expenses, and stock-based compensation expenses.

Source: Company reports, RJ Research estimates and analysis

Competitive Landscape

As a systems integrator, the most common competitors include the likes of B-Squared, Taproot Systems, Teleca AB, and Elektrobit. In the HLOS market for consumer mobile devices, Intrinsyc's Soleus platform has no direct competitors. By this, we mean there are no other companies out there that currently have a platform based on WinCE. However, Soleus does compete with alternative HLOS, primarily Linux, Symbian, and even Windows Mobile to some extent (although it targets the higher-end smartphone market). Please refer to Exhibit 8 on page 22.

Mobile Linux – Mobile Linux is used in cell phones, PDAs, media player handsets and other consumer electronics devices. The key advantages of Linux include the following: 1) open source, which means no royalty costs and the manufacturer is not held captive to any OS vendor's release schedule; 2) small footprint (takes up only 2MB for a minimal installation); 3) mature and stable (used for over 10 years in many devices); 4) well-supported (i.e., large development community for middleware and applications because it is free, which drives innovative applications), with strong interest from device manufacturers (e.g., Motorola) and carriers that value the flexibility and freedom from reliance upon proprietary OS vendors; and 5) easy to differentiate, which in turn, helps carriers to design unique data services that can help to increase ARPU. However as discussed previously, Linux has a key drawback: inflexibility of the software that requires new software code to be re-written for each handset model. This results in higher costs—both in terms of development and time-to-market. Mobile Linux is Soleus' closest competing HLOS as it is targeted at the feature phone market segment by multiple companies, such as MontaVista with its Mobilinux product which is already on version 4.1, versus Soleus which is on version 1.0.

EXHIBIT 8: SOLEUS COMPETITOR MATRIX

			Target Phone Market					
Company	Product	Core OS	Consumer	Enterprise	Ownership	Employees	LFY Sales	Other
Intrinsyc	Soleus	Windows CE	X		ICS:TSX	230	C$18.7M	Built using the Windows CE kernel, Soleus is a complete mobile handset development platform that includes an operating system, development tools, telephony layers, user interface designer tools, and applications. Can port Windows Mobile 3rd party applications. Wistron is a licensee and Ginwave Technologies and Cellon International have signed MOUs to evaluate Soleus.
Microsoft	Windows Mobile	Windows CE		X	MSFT: Nasdaq	71,000	US$43.3B (US$365M from Mobile and Embedded Devices division)	Windows Mobile is a widely used operating system for smartphones. Windows Mobile is not optimized for low-end CPUs and devices with small memory footprints but is available in a number of different versions: Pocket PC Phone Edition for telephony-enabled data-centric devices, and Smartphone for telephony-enabled voice-centric devices. Manufacturer support includes Acer, BenQ, Dell, Flextronics, Fujitsu, Garmin, HP, HTC, Intermec, Itronix, Lenovo, LG, Motorola, NEC, Palm, Samsung, Sharp, Siemens, Symbol, UTStarcom, and ViewSonic. The potential exists for Microsoft to scale down Windows Mobile to make it available not only for smartphones but for feature phones as well.
Symbian	Symbian	Symbian		X	Privately Held	1,366	£114.8M	Symbian makes the most prominent mobile high-level operating system that is used in smart phones. The company has significant backing by Nokia and Sony Ericsson (which also have substantial ownership stakes of the company). Similar to Nokia's strategy, Symbian's technology is geared more to GSM than CDMA. Shareholders include: Nokia, Ericsson, Sony Ericsson, Siemens, and Samsung. Over 100M Symbian smartphones have been sold worldwide. Other manufacturers that support the Symbian platform include Fujitsu, Mitsubishi, Sharp, LG, BenQ, Arima, and Lenovo. The potential exists for Symbian to scale down its operating system to make it available not only for smartphones but for feature phones as well.
a la Mobile	Convergent Linux Platform (CLP), Hardware Mobility Engine (HME), Network Mobility Engine (NME)	Linux	X		Privately Held	N/A	N/A	a la Mobile provides a fully integrated software stack for Linux devices. Its platform covers the core operating system through to applications. Its integrated mobile Linux operating system has been built using partnerships with MontaVista, Trolltech and others. The company's strategy differs from many of the competitors in that it provides integration of the independent software vendors that make the components of the software stack.
ACCESS	Access Linux Platform (ALP)	Linux		X	4813:TSE	1,402	¥14.8B	ACCESS has developed the Access Linux Platform (ALP) that comprises an open-source Linux kernel, as well as the middleware and applications required for a smartphone. The company's software foundation is based on PalmSource, which it acquired, and has been transitioning from the Palm operating system to Linux. Their technology is able to leverage the large Palm developer base, and it supports Palm OS applications. ALP has a fully integrated software stack running Linux. The company's manufacturer support includes Aceeca, AlphaSmart, Fossil, Garmin, GSPDA, Kyocera, Lenovo, LG, Palm, PiTech, Samsung, Sony, and Symbol Technologies.
MontaVista	Mobilinux	Linux	X		Privately Held	N/A	N/A	Open source Linux-based operating system, with a focus on the kernel. Partners with other companies for the middleware and applications. Reduced cost through a single chipset for baseband and applications. A flexible architecture enables handset manufacturers or carriers to customize the user interface and applications. MontaVista has partnerships with Motorola, NEC, Panasonic, Trolltech, and a la Mobile.
SKY MobileMedia	SKY-MAP	Linux	X		Privately Held	N/A	N/A	SKY MobileMedia has developed mobile applications and middleware including a browser, MMS, 2D graphics, and a multimedia framework among other features. The company's technology has been deployed in more than 20M phones worldwide. Partners include Mentor Graphics, Trolltech, Sun Microsystems and MontaVista. Manufacturer support includes BenQ and Compal Communications.
Trolltech	Qtopia, Qt	Linux	X		TROLL:OSE	>200	NOK 118.5M	Does not have an operating system, but does provide an application development platform and the middleware that lies above the kernel and device drivers for Linux-based devices. Competes with Soleus in applications and middleware. Trolltech has created middleware for the MontaVista core operating system. The company has two application platforms: Qt for cross-platform software development (Windows, Mac, Unix/Linux), and Qtopia (an application platform for Linux devices). The user interfaces are fully customizable. The company has a partnership with MontaVista, and there are more than 100 manufacturers building Linux devices using the Qt platform (40 of these building mobile phones). Manufacturer support for Trolltech includes Motorola and Samsung.
Wind River Systems	Wind River Platform for Consumer Devices, Linux Edition	Linux	X		WIND: Nasdaq	163	US$266.3M	Wind River plans to increase its focus on Linux for mobile devices. Its platform is offered to carriers and device manufacturers and includes a Linux kernel and set of integrated open source tools. The company's partners include Trolltech, Taproot, Opera, Espial, and Esmertec to provide the middleware and applications on the operating system foundation.
Research In Motion	BlackBerry	Java (J2ME)		X	RIM:TSX, RIMM: Nasdaq	4,700	US$2.1B (US$157M from software revenue, primarily BES)	The BlackBerry operating system is proprietary and commonly available only on BlackBerry devices. It does have open APIs for interoperability linkages and 3rd party applications. BlackBerry Connect is software developed on top of other OSs such as Symbian, Palm, or Windows Mobile, and BlackBerry Built-In (currently only available with a Siemens handset) refers to the use of the BlackBerry OS on non-BlackBerry devices. Only a small proportion of RIM's revenue comes from the software and OS. The BlackBerry OS has a small footprint with a J2ME kernel that is designed for fast response and power conservation. Major software releases for the BlackBerry OS are brought to market in conjunction with upgrades to the BlackBerry Enterprise Server (BES). RIM has made a slight, partial move downstream from smartphones to feature phones with the Pearl.

Source: Company reports, Raymond James estimates and analysis

Symbian – Symbian is the market-leading OS for smartphones with a market share of 63.9% in 2006, according to IDC. The company's OS also has a large support base in the development community with more than 30,000 developers, and greater than 5,300 third-party applications. As mentioned earlier, Symbian is moving downstream into the consumer segment to expand their addressable market by targeting the higher volume feature phones. To succeed, Symbian will need to scale down its OS (and lower BOM costs) to make it accessible for lower-cost handset devices. In addition, Symbian will have to address other significant issues, including, improving performance, reducing footprint, and reducing power consumption. Symbian is owned by Nokia (47.9%), Ericsson (15.6%), Sony Ericsson (13.1%), Panasonic (10.5%), Siemens (8.4%), and Samsung (4.5%). User interfaces designed for Symbian's OS include Nokia's S60 and Series 80, NTT DoCoMo's MOAP user interface for its FOMA 3G network, and UIQ designed by UIQ Technology (a wholly-owned subsidiary of Symbian). Given the strong influence by Nokia, we question if there could be some hesitation by other handset manufacturers to adopt the Symbian OS for higher-volume products.

Windows Mobile – Windows Mobile is a widely used OS for smartphones (e.g., Motorola Q, Palm Treo 700, Samsung Blackjack, and HTC's Dash) that is gaining market share in the enterprise segment. According to IDC, Windows Mobile has 9.8% of the smartphone market share, and this is projected to grow to 22.1% by 2010. The growth of Windows Mobile based mobile devices could have a potentially good or negative impact on Intrinsyc. On the negative side, Windows Mobile (similar to Symbian) may opt to move downstream into the high-volume feature phone market as this HLOS continues to gain share in the enterprise segment, potentially creating a significant competitor for Soleus. However, Windows Mobile was designed specifically for the enterprise market, and does not allow for much customization (if any). Assuming that Soleus gains significant traction, we believe it would be quicker and easier for Microsoft to acquire the Soleus platform and retain companies such as Intrinsyc to provide the customization and systems integration services. On the positive side, higher penetration of Windows Mobile devices will increase the number of potential customers for Soleus. As manufacturers of Windows Mobile devices opt to move downstream to higher-volume segments, Soleus would be the obvious platform of choice due to the minimal incremental development know-how. Utilizing a WinCE-based software platform means that vendors can quickly port key features from their high-end Windows Mobile smartphone to consumer-oriented mobile devices. This gives Intrinsyc's Soleus a perch from which to make inroads with the Tier 1 device makers.

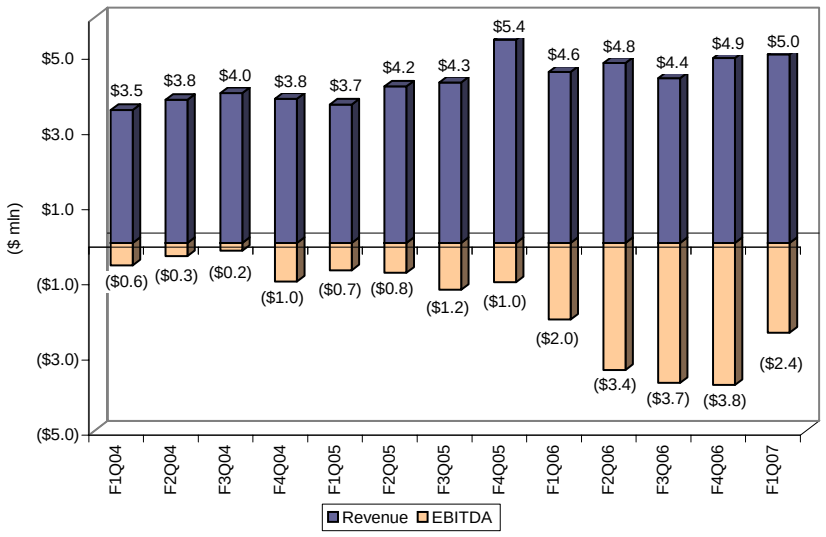
Financial Analysis and Outlook

On January 11, 2007 Intrinsyc reported F1Q07 results (for the period ended November 30, 2006). The company had record first quarter revenue of $5.0 million, up 2% sequentially and 10% year-over-year. The bottom line loss during the quarter was $4.3 million, or $0.05 per share. The year-over-year revenue growth was achieved despite an appreciation in the Canadian dollar, which negatively impacted growth by approximately 5% (or $0.2 million in sales). The majority of revenue currently comes from engineering services (84% of F1Q07 sales), a segment which has experienced robust growth in recent periods. During the quarter, the progress in Engineering Services was driven by a new contract with a leading global mobile phone manufacturer, as well as a stable base of repeat customers. Combined, legacy software and hardware sales made up 16% of F1Q07 sales, a proportion which has been declining as sales have decreased in these parts of the business. Starting in F2008, we expect Mobile Products revenue to ramp up following the commercial adoption of Soleus.

Quarterly revenue and EBITDA trend

Over the last two years, revenue has shown steady but moderate growth (refer to Exhibit 9). We believe revenue growth will accelerate going forward with contribution from Soleus. EBITDA losses grew markedly in F2006 with the development of Soleus and were $2.4 million in F1Q07.

Exhibit 9: Historical Quarterly Performance



Source: Company Reports, RJ Research estimates & analysis

Intrinsyc reported a gross margin of 46.1% in F1Q07, compared to 46.7% in F4Q06 and 41.4% in F1Q06. Changes in gross margin can be a function of revenue mix considering that software licensing revenue generally has gross margins of 75% to 85% while services have margins of 30% to 45% (although they are improving to the top end of the range with recent changes in pricing of

service engagements). The substantial year-over-year improvement in the gross margin is the result of an extenuating circumstance in F1Q06 during which Intrinsyc performed work for a customer but did not receive payment. Once Soleus starts to ramp up, we expect gross margins to increase accordingly due to the higher margin contribution of approximately 90%.

Operating expenses were $5.8 million (115.7% of sales) in F1Q07, compared to $6.5 million in F4Q06 and $4.3 million in F1Q06. Administration expenses dropped to $1.1 million (22.4% of sales) from $1.4 million in F4Q06 due to a one-time severance cost of $0.3 million to former CEO, and $1.4 million in F1Q06 due to less resources being required to support Intrinsyc's engineering services and R&D projects. Marketing and sales expenses rose substantially to $1.3 million (26.5% of sales) from $0.9 million in F4Q06 and $0.8 million in F1Q06 as the company heightened its promotional efforts on Soleus now that it is nearing market readiness. In F1Q07, sales and marketing expenses related to Soleus amounted to $0.4 million of the total. R&D costs, which make up the majority of operating expenses, were $3.0 million (59.3% of sales), down from $3.7 million in F4Q06 and nearly double the $1.6 million incurred in F1Q06. Almost all of the R&D expense was attributable to the development of Soleus. Our calculation of operating expenses includes amortization, stock-based compensation, and TPC funding investment—all of which were negligible in the quarter. An additional expense in F1Q07 was the amortization and accretion of long-term debt of $0.9 million. This was related to the debentures that were repaid during the quarter. As such, this expense will not recur in future quarters.

Balance sheet and liquidity

Intrinsyc ended F1Q07 with $9.2 million in cash ($0.11 per share). This is down from $22.5 million in F4Q06 (ended August 2006). The majority of the decrease was due to the repayment of $8.0 million in debentures, with additional outflow related to funds used in the development of Soleus. Following the debenture repayment, Intrinsyc has no debt on its balance sheet.

Since Soleus is in pre-revenue stage and there are still considerable investments being made in the technology platform, cash flow in most quarters has been negative. Cash used in operations was unusually high at $5.9 million in F1Q07 due to investments in working capital of $2.2 million that were higher than normal. The largest component in working capital was $1.2 million in accounts receivable, which was related to the timing of a large contract (in the Engineering Services business). This amount has since been recovered in the following month, and will be reflected in the company's F2Q07 financial statements.

Given that Intrinsyc currently generates nearly all of its revenue from Engineering Services, inventory is negligible. In past quarters, the cash outflow has come almost entirely from operations given that capital equipment requirements are very low. For example, over the last three quarters Intrinsyc's quarterly capital expenditure has averaged only $0.1 million.

Given the intense development activity for Soleus, we expect the company to look for additional funding sometime during F2Q07 or F3Q07. Alternatives could include an equity offering or the issuance of debt.

Our outlook for F2007 and F2008

Intrinsyc does not provide any guidance and its greatest revenue potential is expected to come from Soleus, a product that is still in pre-revenue stage. We expect Soleus to begin generating initial revenue in F2H07, and to grow rapidly thereafter as volumes ramp up. Given the early stage of Soleus, and the time that it will take for it to penetrate the mobile handset OS market, we have created a long-range forecast in order to capture the value of the opportunity for this innovative product. With significant growth in Soleus volumes, we expect this to be reflected in gross margin and earnings.

As discussed earlier, Soleus revenue will come from an up-front licensing fee plus royalties (per unit), and will have roughly 90% gross margins—much higher than the current corporate average. As the proportion of revenue from Soleus increases, we expect a dramatic corresponding rise in gross margin. Based on our current outlook, we see profitability first being achieved in F2010. Depending on the timing and ramp of Soleus design wins, there is a possibility that the company could turn profitable in late F2009. Management has indicated that in order for Soleus to break-even, the company needs to ship 750,000 to 1 million units per quarter in terms of volume. This implies a run-rate break-even revenue of $3 million per quarter for Soleus. We have been more conservative in our forecast model as we believe Intrinsyc will likely ramp up expenses once Soleus starts to take off to stay on track with its product roadmap and manage growth. Please refer to Exhibit 10 for our quarterly and annual forecast summary. Our outlook for F2007 represents our expectation for early Soleus revenues late in the fiscal year, and continued steady growth in engineering services.

Our forecast does not include the impact of equity financings, which would further dilute the EPS, nor does it include the impact of future acquisitions, which could provide upside to our estimates.

EXHIBIT 10: FORECAST SUMMARY ($ MLN, EXCEPT FOR PER SHARE DATA)

	F1Q07	F2Q07E	F3Q07E	F4Q07E	2007E	2008E	2009E	2010E
Engineering Services Group	*5.0*	*5.0*	*5.1*	*5.5*	*20.6*	*23.2*	*26.3*	*29.7*
Mobile Products Group ("Soleus")	*0.0*	*0.0*	*0.1*	*0.1*	*0.2*	*2.3*	*9.5*	*24.4*
Total Revenues	**$5.0**	**$5.0**	**$5.2**	**$5.6**	**$20.8**	**$25.5**	**$35.8**	**$54.1**
q/q growth	*2%*	*0%*	*4%*	*8%*				
y/y growth	*10%*	*4%*	*18%*	*13%*	*11%*	*23%*	*41%*	*51%*
Gross profit	2.3	2.3	2.4	2.6	9.7	11.7	19.6	34.5
Gross margin %	*46.1%*	*46.6%*	*46.8%*	*46.5%*	*46.5%*	*46.0%*	*54.7%*	*63.7%*
EBITDA	(2.4)	(3.7)	(3.8)	(3.9)	(13.8)	(15.0)	(9.2)	3.2
Net income	(4.3)	(3.8)	(3.9)	(4.0)	(16.0)	(15.4)	(9.8)	2.3
FD EPS	**($0.05)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.19)**	**($0.19)**	**($0.12)**	**$0.03**

Source: Company Reports, RJ Research estimates & analysis

Stock Valuation and Recommendation

Intrinsyc's share price fell from $1.40 in February 2006 to a 52-week low of $0.36 in November 2006. From the low-point in November 2006, the shares have almost doubled to $0.68, with a 36% uptick just in the last few days since the design win announcement. We view the initial design win announcement as a critical milestone for Intrinsyc, and a point of validation for Soleus as a viable OS for mass market consumer mobile handheld devices. As Intrinsyc demonstrates traction with Soleus, we believe the valuation will shift to give the company more credit as a software products company with recurring revenue streams, which are characterized by a much higher growth multiple. This should result in a significantly higher valuation picture for the company.

We have an OUTPERFORM rating and a 6-12 month target price of $1.15

We are initiating coverage of Intrinsyc with an OUTPERFORM rating and a 6 to 12 month target price of $1.15. Our target price implies a C2008 EV/S multiple of 3.2 times, and is supported by a sum-of-the-parts valuation analysis. At current levels, the stock is trading at a C2008 EV/S of 1.8 times – roughly in line with the group average of 1.6 times (which include engineering services companies that have EV/S multiples less than 1.0 times). As the company demonstrates success with Soleus, we believe Intrinsyc's valuation multiples will expand to be more in line with companies that generate recurring revenue streams. A look at the valuation of other software companies that have recurring revenue business models have an average multiple of 3.3 times.

Our sum-of-the parts analysis yields a total value of $1.12 per share. We have ascribed a value of $23.2 million, or $0.28 per share for Intrinsyc's Engineering Services business. This is based on 1.0 times our F2008 revenue estimate of $23.2 million for the division. We have determined a value of $69.9 million, or $0.84 per share, for Soleus based on a Price/Sales multiple of 5.0 times our F2010 revenue estimate of $24.4 million for the segment, and discounted by 2.5 years at a rate of 25%. We have used a slightly longer time horizon for our evaluation of Soleus compared to Engineering Services to account for Soleus' progression from an early stage venture and our expectation for rapidly accelerating revenue even beyond our forecast period (assuming Soleus is a success). We have ascribed an aggressive revenue multiple to reflect high growth rates as Soleus will still be in the early stages of growth even by F2010. We have offset this with a discount rate of 25% to reflect execution risk inherent in these early stages of revenue ramp. Exhibit 11 shows a matrix of the revenue potential for Soleus depending on price per unit (royalties) and unit volumes. It is clear from the table below that revenues could vary widely depending on volumes and reiterate that Intrinsyc is recommended for risk-tolerant investors that believe in the future success of Intrinsyc.

EXHIBIT 11: SOLEUS REVENUE POTENTIAL MATRIX

Feature phone unit f/c:		660 mln							
ICS's market share:		0.50%	0.75%	1.00%	1.25%	1.30%	1.50%	2.00%	2.50%
unit volume		**3.3**	**5.0**	**6.6**	**8.3**	**8.6**	**9.9**	**13.2**	**16.5**
price per unit	**$ 3.00**	9.9	14.9	19.8	24.8	25.7	29.7	39.6	49.5
	$ 3.20	10.6	15.8	21.1	26.4	27.4	31.7	42.2	52.8
	$ 3.40	11.2	16.8	22.4	28.1	29.1	33.7	44.9	56.1
	$ 3.50	11.6	17.3	23.1	28.9	29.9	34.7	46.2	57.8
	$ 3.60	11.9	17.8	23.8	29.7	30.8	35.6	47.5	59.4
	$ 3.80	12.5	18.8	25.1	31.4	32.5	37.6	50.2	62.7
	$ 3.83	12.6	19.0	25.3	31.6	32.8	37.9	50.6	63.2
	$ 4.00	13.2	19.8	26.4	33.0	34.2	39.6	52.8	66.0

Source: FirstCall, Bloomberg, ThomsonOne, Company Reports, RJ Research estimates and analysis

In addition to these valuation methodologies, recent acquisitions support our target multiple. For example, Motorola recently acquired TTPCom at a P/S multiple of 2.8 times, and Access acquired Palmsource at an implied P/S multiple of 4.7 times. As the company builds credibility for the Soleus platform and more mobile handheld device manufacturers start to rely on it is a viable platform, we believe that Intrinsyc will be deserving of a higher multiple. We recommend investors with tolerance for risk to begin accumulating shares in advance of design win announcements.

EXHIBIT 12: COMPARABLE COMPANIES - INTRINSYC

All values in US$ mlns, except per share data or otherwise stated.

	Ticker Symbol	Currency	FYE	Price 3/29/07	Market Cap	EPS C06	EPS C07E	EPS C08E	P/E C06	P/E C07E	P/E C08E	Sales C06	Sales C07E	Sales C08E	EV/Sales C06	EV/Sales C07E	EV/Sales C08E
Intrinsyc Software	**ICS-T**	**CDN**	**Aug**	**$0.68**	**$56**	**($0.24)**	**($0.19)**	**($0.18)**	**n.m.**	**n.m.**	**n.m.**	**$19**	**$22**	**$27**	**2.5x**	**2.2x**	**1.8x**
Engineering Services																	
BSQUARE	BSQR-Q	USD	Dec	$4.37	$42	($0.05)	--	--	n.m.	--	--	$50	--	--	0.6x	--	--
Elektrobit	EBG1V-HE	€	Dec	€ 1.61	€ 208	(€ 0.03)	€ 0.01	€ 0.10	n.m.	100+	16.1x	€ 182	€ 189	€ 211	0.6x	0.6x	0.5x
Sasken	SASKEN-BY	Rs.	Mar	480	13,710	16.07	32.90	40.21	29.9x	14.6x	11.9x	11,202	6,903	8,506	1.2x	2.0x	1.6x
Sysopen Digia	SYS1V-HE	€	Dec	€ 3.54	€ 72	€ 0.25	€ 0.30	€ 0.34	14.2x	11.8x	10.4x	€ 85	€ 102	€ 109	1.4x	1.1x	1.1x
Teleca	TELC.B-SK	SEK	Dec	SEK 32.50	SEK 2,027	SEK 0.03	SEK 1.97	SEK 3.07	100+	16.5x	10.6x	SEK 2,780	SEK 2,835	SEK 3,036	0.8x	0.8x	0.8x
Engineering Services Average (excl. Intrinsyc)									**44.0x**	**14.6x**	**11.3x**				**4.6x**	**1.0x**	**0.9x**
Mobile Software																	
Access	4813-JP	¥	Jan	JPY 528	JPY 206	(JPY 26)	(JPY 16)	JPY 20	n.m.	n.m.	27.0x	JPY 26.4	JPY 36.1	JPY 45.3	6.8x	5.0x	4.0x
Aplix	3727-JP	¥	Dec	JPY 385	JPY 39	(JPY 16)	JPY 11.2	JPY 22.6	n.m.	34.5x	17.0x	JPY 6.6	JPY 8.4	JPY 12.3	4.2x	3.3x	2.3x
Avanquest	AVQ-FR	€	Dec	€ 17.68	€ 121	€ 0.50	€ 0.83	€ 1.00	35.4x	21.3x	17.7x	€ 75	€ 126	€ 140	1.4x	0.8x	0.8x
Esmertec	ESMN-SWX	SFr	Dec	SFr. 9.10	SFr. 148	SFr. -0.92	SFr. -0.58	SFr. 0.15	n.m.	n.m.	60.7x	SFr. 31	SFr. 45	SFr. 64	4.9x	3.4x	2.4x
Mentor Graphics	MENT-Q	USD	Dec	$16.27	$1,348	$0.02	$1.01	$1.10	100+	16.2x	14.8x	$55	$844	$886	26.8x	1.7x	1.7x
Openwave	OPWV-Q	USD	Jun	$8.13	$759	$0.20	$0.08	$0.19	40.7x	100+	42.8x	$380	$371	$389	1.1x	1.1x	1.1x
Opera Software	OPERA-OS	NOK	Dec	NOK 12.95	NOK 1,581	(NOK 0.09)	NOK 0.09	NOK 0.42	n.m.	100+	30.8x	NOK 212	NOK 310	NOK 441	5.5x	3.7x	2.6x
Trolltech	TROLL-OS	NOK	Dec	NOK 10.50	NOK 550	(NOK 0.84)	(NOK 0.23)	NOK 0.90	n.m.	n.m.	11.7x	NOK 173	NOK 253	NOK 386	2.3x	1.6x	1.0x
Wind River Systems	WIND-Q	USD	Jan	$9.92	$851	--	$0.36	$0.50	--	27.6x	19.7x	--	$317	$357	--	2.1x	1.9x
Zi Corp.	ZICA-Q	USD	Dec	$1.58	$74	($0.19)	--	--	n.m.	--	--	$12	--	--	5.7x	--	--
Mobile Software Group Average (excl. Intrinsyc)									**38.0x**	**24.4x**	**24.3x**				**4.4x**	**2.4x**	**1.8x**
Blended Weighted Average (excl. Intrinsyc)									**32.6x**	**19.2x**	**20.0x**				**3.0x**	**2.0x**	**1.6x**

Note: Revenue, EBITDA and EPS estimates for Intrinsyc Software are from Raymond James; all other estimates are from FirstCall.

Source: FirstCall, Bloomberg, ThomsonOne, Company Reports, RJ Research estimates and analysis

Investment and Business Risks

Likelihood of equity dilution – Intrinsyc has a history of operating losses and has relied on equity and debt financing in the past to fund its ongoing development. We expect the company to continue to have a cash outflow from operations until revenues from Soleus become material. Given a cash burn of $3 million to $4 million per quarter, and a cash balance of $9.2 million (as of the latest quarter), we believe that the company needs to seek sources of additional financing very soon. We believe this is most likely to come from issuing new equity. Therefore, we believe there is potential for the equity base to face some dilution.

Timing of Soleus design wins – Intrinsyc has made considerable investments in the development of the Soleus mobile software platform. Although the company is in discussions with various potential customers for licensing Soleus, Intrinsyc has only signed one design win announcement with a path for volume production; thus, making it difficult to ascertain the demand for the product and its future sales potential with any certainty. There is a risk that this investment may fail to generate a meaningful return. The limited visibility is exacerbated by the long sales and development cycles to achieve a design win and receive licensing revenues upon commercial release of the customers' product. Now that the product is ready, we believe this is a critical time, and the ability of Intrinsyc to generate a return for the significant investments made to date will depend largely on the timing of first design wins, successful execution, and market acceptance of Soleus-based handset devices.

Cross-over of feature phones and smartphones – Over time, we believe that the unit growth for feature phones may be impacted as the market for smartphones grows, particularly those that are targeted at the prosumer/ consumer market with price points similar to the high-end feature phones. As such, we believe it is critical for Intrinsyc to carve out a niche position in the HLOS market for consumer-oriented converged mobile devices to ensure a slice of the pie. In addition, there is the potential risk that OS platforms for smartphones may move downstream, such as Symbian or Microsoft's Windows Mobile. The chance of Microsoft moving downstream could be viewed as a risk as it could severely hamper Soleus' potential to gain market share, create a distinct brand, and generate meaningful sales. This is especially true considering that Soleus is based on the WinCE core.

Exposure to currency fluctuations – In F1Q07, Intrinsyc generated 59% of its revenue from customers in the U.S. As a result, a large proportion of sales are denominated in US$, however, the company's operations are primarily in Canada with additional functions in the U.K. Accordingly, the bulk of Intrinsyc's expenses are incurred in C$ and £, and the company is exposed to fluctuations in the relative value of the three currencies. If the C$ or £ were to rise relative to the US$, operating results may be adversely impacted. Intrinsyc estimates that a C$0.01 increase relative to the US$ would result in an approximate

reduction of $10,000 in earnings before tax on a quarterly basis. To protect itself against this exposure, Intrinsyc effectively hedges 60% to 80% of its net monthly US$ receipts.

Customer concentration – Intrinsyc's sales are highly concentrated with its largest customers. In F1Q07, the company's top two customers accounted for 45% of revenue (25% and 20%, respectively). The loss of any key customer, completion of a major contract, or a significant decline in demand from any of its top customers would have a material adverse effect on Intrinsyc's financial performance. This risk would be somewhat mitigated once Soleus begins to generate material revenues as it will open up new channels for sales and diversify the customer base.

Technology Partnerships Canada (TPC) audit – TPC and Intrinsyc had an agreement (which expired in March 2004) by which Intrinsyc was eligible to receive R&D funding to support the development of embedded devices and wireless Internet-enabled network connectivity. On August 25, 2004 Intrinsyc settled a complaint by the Government of Canada on account of Intrinsyc's use of a consultant in connection with the funding under the TPC agreement, which was deemed by the Government to be a breach of the TPC agreement. At various times during the agreement, Intrinsyc received overpayments from TPC and TPC has been performing an audit of the agreement. Intrinsyc is currently negotiating an extension to the agreement. If the extension is granted by TPC, then Intrinsyc will be required to pay approximately $387,000. If Intrinsyc does not accept the extension, then it will not be obligated to pay the $387,000. If Intrinsyc is found to be in default of the agreement, then TPC may suspend or terminate any obligation and it can demand repayment of all or part of the contributions disbursed to Intrinsyc, which total approximately $3.8 million to date.

EXHIBIT 13: INCOME STATEMENT ($MLN, EXCEPT PER SHARE DATA)

Intrinsyc Software International (FYE August)	2004	2005	2006	2007E	2008E	F1Q06	F2Q06	F3Q06	F4Q06	F1Q07	F2Q07E	F3Q07E	F4Q07E	F1Q08E	F2Q08E	F3Q08E	F4Q08E
Hardware revenue	*2.7*	*1.9*	*1.9*	*1.1*	*0.8*	*0.7*	*0.5*	*0.4*	*0.4*	*0.4*	*0.3*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*
Software revenue- Enterprise Interop Solutions	*3.1*	*2.7*	*1.8*	*1.9*	*0.0*	*0.5*	*0.5*	*0.4*	*0.5*	*0.4*	*0.5*	*0.5*	*0.5*	*0.0*	*0.0*	*0.0*	*0.0*
Software revenue - Soleus				*0.2*	*2.3*							*0.1*	*0.1*	*0.5*	*0.5*	*0.6*	*0.7*
Services revenue - Engineering services	*9.4*	*12.9*	*14.9*	*17.6*	*22.4*	*3.4*	*3.9*	*3.6*	*4.1*	*4.2*	*4.2*	*4.4*	*4.8*	*5.1*	*5.5*	*5.8*	*6.0*
Revenue	**15.2**	**17.5**	**18.7**	**20.8**	**25.5**	**4.6**	**4.8**	**4.4**	**4.9**	**5.0**	**5.0**	**5.2**	**5.6**	**5.8**	**6.2**	**6.6**	**6.9**
% Q/Q change						*-16%*	*5%*	*-8%*	*12%*	*2%*	*0%*	*4%*	*8%*	*3%*	*8%*	*5%*	*6%*
% Y/Y change	*9.3%*	*15.6%*	*6.4%*	*11.3%*	*22.6%*	*24%*	*15%*	*3%*	*-9%*	*10%*	*4%*	*18%*	*13%*	*15%*	*25%*	*27%*	*24%*
Cost of sales	8.4	9.1	11.3	11.1	13.8	2.7	3.2	2.8	2.6	2.7	2.7	2.8	3.0	3.2	3.4	3.5	3.7
Gross profit	**6.8**	**8.5**	**7.3**	**9.7**	**11.7**	**1.9**	**1.6**	**1.5**	**2.3**	**2.3**	**2.3**	**2.4**	**2.6**	**2.6**	**2.8**	**3.0**	**3.3**
Gross margin %	*44.6%*	*48.2%*	*39.3%*	*46.5%*	*46.0%*	*41.4%*	*33.6%*	*35.2%*	*46.7%*	*46.1%*	*46.6%*	*46.8%*	*46.5%*	*44.7%*	*45.7%*	*46.2%*	*47.1%*
Administration	3.2	4.2	5.4	4.9	5.7	1.4	1.4	1.2	1.4	1.1	1.2	1.3	1.3	1.4	1.4	1.5	1.5
Marketing & sales	3.0	3.0	3.5	6.1	7.1	0.8	0.9	0.9	0.9	1.3	1.6	1.6	1.6	1.7	2.0	1.7	1.7
Soleus Development		*3.1*	*10.6*	*12.0*	*12.1*	*1.5*	*2.5*	*2.9*	*3.6*	*3.0*	*3.0*	*3.0*	*3.0*	*3.0*	*3.1*	*3.0*	*3.0*
Other R&D		*1.0*	*0.4*	*0.0*	*0.0*	*0.1*	*0.1*	*0.1*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Research & development	1.7	4.0	11.0	12.0	12.1	1.6	2.7	3.0	3.7	3.0	3.0	3.0	3.0	3.0	3.1	3.0	3.0
Amortization	1.1	0.8	1.1	0.8	0.8	0.2	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Stock-based compensation	0.6	0.8	0.9	0.9	1.0	0.2	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Restructuring	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Technology Partnerships Canada Funding Investment	-0.2	0.2	0.3	0.5	0.8	0.0	0.0	0.1	0.1	0.0	0.0	0.2	0.3	0.0	0.1	0.3	0.5
Earnings (loss) from operations	**(3.3)**	**(4.6)**	**(14.7)**	**(15.5)**	**(15.8)**	**(2.4)**	**(4.0)**	**(4.1)**	**(4.2)**	**(3.5)**	**(3.9)**	**(4.0)**	**(4.1)**	**(3.9)**	**(4.2)**	**(3.8)**	**(3.9)**
Foreign exchange (gain) loss	(0.0)	0.5	0.4	(0.2)	0.0	0.1	0.1	0.3	(0.0)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss (gain) on disposal of equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest income	(0.0)	(0.1)	(0.6)	(0.5)	(0.4)	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Accretion and amortization - long term debt	0.0	0.0	0.7	0.9	0.0	0.1	0.2	0.2	0.2	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense - long term debt	0.0	0.0	0.9	0.2	0.0	0.2	0.2	0.3	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings (loss) before income taxes	**(3.2)**	**(5.0)**	**(16.3)**	**(15.9)**	**(15.4)**	**(2.7)**	**(4.5)**	**(4.7)**	**(4.4)**	**(4.2)**	**(3.8)**	**(3.9)**	**(4.0)**	**(3.8)**	**(4.1)**	**(3.7)**	**(3.8)**
Income tax expense (recovery) - current	0.0	0.1	0.2	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income tax expense (recovery) - future	(0.1)	(0.1)	(0.1)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	**(3.1)**	**(5.0)**	**(16.4)**	**(16.0)**	**(15.4)**	**(2.7)**	**(4.5)**	**(4.7)**	**(4.4)**	**(4.3)**	**(3.8)**	**(3.9)**	**(4.0)**	**(3.8)**	**(4.1)**	**(3.7)**	**(3.8)**
Basic EPS	**($0.07)**	**($0.09)**	**($0.24)**	**($0.19)**	**($0.19)**	**($0.05)**	**($0.08)**	**($0.06)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.04)**	**($0.05)**
FD EPS	**($0.07)**	**($0.09)**	**($0.24)**	**($0.19)**	**($0.19)**	**($0.05)**	**($0.08)**	**($0.06)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.05)**	**($0.04)**	**($0.05)**
Weighted average basic shares outstanding	41.6	54.5	67.6	83.0	83.0	56.2	56.2	74.6	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0
Weighted Average fully diluted shares outstanding	41.6	54.5	67.6	83.0	83.0	56.2	56.2	74.6	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0	83.0
Depreciation and Amortization	1.1	0.8	1.8	1.7	0.8	0.3	0.6	0.4	0.4	1.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
EBITDA	**(2.2)**	**(3.8)**	**(12.9)**	**(13.8)**	**(15.0)**	**(2.0)**	**(3.4)**	**(3.7)**	**(3.8)**	**(2.4)**	**(3.7)**	**(3.8)**	**(3.9)**	**(3.7)**	**(4.0)**	**(3.6)**	**(3.7)**
Margin Analysis/Forecast Assumptions:																	
Engineering Services q/q change						-15.9%	5.3%	-8.4%	12.2%	2.0%	-0.4%	2.0%	7.8%	-3.6%	7.5%	5.3%	3.3%
Mobile Products Group q/q change													0.0%	513.3%	14.1%	5.7%	29.0%
Q/Q revenue growth						**-15.9%**	**5.3%**	**-8.4%**	**12.2%**	**2.0%**	**-0.4%**	**3.5%**	**7.7%**	**3.3%**	**8.1%**	**5.3%**	**5.5%**
Engineering Services y/y change		15.6%	6.4%	10.5%	12.5%	-15.9%	5.3%	-8.4%	12.2%	2.0%	-0.4%	2.0%	7.8%	-3.6%	7.5%	5.3%	3.3%
Mobile Products Group y/y change					*1404.0%*											*640.0%*	*854.7%*
Y/Y revenue growth	**9.3%**	**15.6%**	**6.4%**	**11.3%**	**22.6%**	**23.5%**	**15.1%**	**2.6%**	**-9.0%**	**10.3%**	**4.3%**	**17.9%**	**13.2%**	**14.7%**	**24.5%**	**26.7%**	**24.1%**
Gross margin %	44.6%	48.2%	39.3%	46.5%	46.0%	41.4%	33.6%	35.2%	46.7%	46.1%	46.6%	46.8%	46.5%	44.7%	45.7%	46.2%	47.1%
Administration (as % of sales)	20.9%	23.9%	29.0%	23.5%	22.4%	30.5%	28.4%	27.6%	29.4%	22.4%	24.0%	24.2%	23.3%	23.4%	22.5%	22.1%	21.7%
Marketing & sales	20.1%	17.2%	18.5%	29.5%	27.9%	17.7%	18.4%	20.5%	17.6%	26.5%	32.0%	30.9%	28.7%	29.5%	32.1%	25.9%	24.6%
Soleus Development	*0.0%*	*17.4%*	*56.6%*	*57.5%*	*47.5%*	*33.8%*	*52.4%*	*66.8%*	*72.8%*	*58.8%*	*60.0%*	*58.0%*	*53.8%*	*52.1%*	*49.8%*	*45.8%*	*43.4%*
Other R&D	*0.0%*	*5.7%*	*2.2%*	*0.1%*	*0.0%*	*2.4%*	*3.0%*	*1.4%*	*1.9%*	*0.5%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Research & development	11.1%	23.1%	58.8%	57.7%	47.5%	36.2%	55.4%	68.2%	74.7%	59.3%	60.0%	58.0%	53.8%	52.1%	49.8%	45.8%	43.4%
Operating expenses (as % of sales)	66.1%	74.6%	118.3%	121.3%	107.9%	93.8%	117.5%	129.7%	131.5%	115.7%	125.0%	124.8%	119.7%	112.8%	112.6%	104.6%	102.9%
EBITDA margin	-14.3%	-21.7%	-69.3%	-66.6%	-58.8%	-44.8%	-70.5%	-84.9%	-76.8%	-47.6%	-74.5%	-74.1%	-69.7%	-64.6%	-63.7%	-55.4%	-52.9%
EBIT margin (excl. one-time items)	-21.5%	-26.4%	-79.0%	-74.8%	-62.0%	-52.5%	-83.9%	-94.5%	-84.8%	-69.6%	-78.5%	-78.0%	-73.2%	-68.1%	-66.9%	-58.4%	-55.8%
Effective tax rate	4.2%	0.3%	-0.8%	-0.4%	0.0%	0.1%	-0.8%	-1.0%	-1.2%	-1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net margin	-20.4%	-28.4%	-87.9%	-77.0%	-60.4%	-60.0%	-94.5%	-107.2%	-90.0%	-84.8%	-76.5%	-76.0%	-71.5%	-66.4%	-65.3%	-56.9%	-54.4%

Source: Company Reports, RJ Research estimates and analysis

EXHIBIT 14: BALANCE SHEET ($MLN, EXCEPT PER SHARE DATA)

Intrinsyc Software (FYE August)	2004	2005	2006	F1Q05	F2Q05	F3Q05	F4Q05	F1Q06	F2Q06	F3Q06	F4Q06	F1Q07
Assets												
Cash and cash equivalents	4.6	7.3	22.5	3.1	3.5	2.6	7.3	11.1	8.2	26.4	22.5	9.2
Short term investment	0.0	0.0	0.0	5.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	3.4	3.9	3.8	3.8	3.8	4.3	3.9	4.4	3.7	3.6	3.8	5.0
Other receivable	0.9	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory	0.3	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.2
Prepaid expenses - current	0.3	0.3	0.4	0.3	0.2	0.1	0.3	0.4	0.3	0.2	0.4	0.4
Total current assets	**9.5**	**11.7**	**26.8**	**13.4**	**12.7**	**12.3**	**11.7**	**16.0**	**12.4**	**30.3**	**26.8**	**14.7**
Prepaid expenses	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2
Equipment	0.8	1.0	1.4	0.9	0.9	0.9	1.0	1.0	1.3	1.4	1.4	1.3
Goodwill	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2	14.2
Intangible assets	1.4	1.2	0.6	1.3	1.2	1.1	1.2	1.1	0.7	0.6	0.6	0.5
Deferred financing costs	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.8	0.8	0.6	0.5	0.0
Total assets	**26.0**	**28.1**	**43.5**	**29.7**	**29.0**	**28.5**	**28.1**	**33.1**	**29.4**	**47.2**	**43.5**	**30.9**
Liabilities and Shareholders' Equity												
Accounts payable and accrued liabilities	2.0	2.8	4.0	1.7	1.7	2.1	2.8	2.5	3.4	3.6	4.0	3.1
Taxes payable	0.0	0.3	0.2	0.0	0.0	0.0	0.3	0.3	0.1	0.1	0.2	0.2
Deferred revenue	0.6	0.8	0.5	0.8	0.7	0.9	0.8	0.7	0.5	0.6	0.5	0.6
Future income taxes	0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	**2.8**	**3.9**	**4.8**	**2.6**	**2.5**	**3.1**	**3.9**	**3.5**	**3.9**	**4.3**	**4.8**	**3.9**
Debentures	0.0	0.0	7.6	0.0	0.0	0.0	0.0	7.4	7.4	7.5	7.6	0.0
Future income taxes	0.3	0.3	0.2	0.3	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.2
Total long-term liabilities	**0.3**	**0.3**	**7.8**	**0.3**	**0.2**	**0.2**	**0.3**	**7.6**	**7.7**	**7.8**	**7.8**	**0.2**
Total liabilities	**3.0**	**4.2**	**12.6**	**2.8**	**2.7**	**3.3**	**4.2**	**11.1**	**11.7**	**12.1**	**12.6**	**4.1**
Share capital	52.3	57.5	74.6	57.5	57.5	57.5	57.5	57.5	57.5	74.6	74.6	74.6
Warrants and underwriters' options	0.2	0.2	5.2	0.2	0.2	0.2	0.2	0.8	0.6	5.2	5.2	5.2
Contributed surplus	1.1	1.9	3.0	1.2	1.4	1.7	1.9	2.1	2.5	2.8	3.0	3.2
Cumulative translation adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deficit	-30.6	-35.5	-51.9	-32.0	-32.7	-34.0	-35.5	-38.3	-42.8	-47.5	-51.9	-56.2
Total shareholders' equity	**23.0**	**23.9**	**30.8**	**26.9**	**26.3**	**25.2**	**23.9**	**22.0**	**17.8**	**35.1**	**30.8**	**26.8**
Total liabilities and shareholders' equity	**26.0**	**28.1**	**43.5**	**29.7**	**29.0**	**28.5**	**28.1**	**33.1**	**29.4**	**47.2**	**43.5**	**30.9**

Source: Company Reports, RJ Research estimates and analysis

EXHIBIT 15: CASH FLOW STATEMENT ($MLN, EXCEPT PER SHARE DATA)

Intrinsyc Software (FYE August)	2004	2005	2006	F1Q06	F2Q06	F3Q06	F4Q06	F1Q07
Operating activities:								
Net earnings (loss)	(3.1)	(5.0)	(16.4)	(2.7)	(4.5)	(4.7)	(4.4)	(4.3)
Amortization	1.1	0.8	1.1	0.2	0.4	0.2	0.2	0.2
Future income taxes	(0.1)	(0.1)	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)
Stock-based compensation	0.6	0.8	0.9	0.2	0.3	0.3	0.2	0.2
Accretion and amortization - long term debt	0.0	0.0	0.7	0.1	0.2	0.2	0.2	0.2
Unrealized foreign exchange loss on contingent consic	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in non-cash operating working capital								
Income taxes payable	(0.1)	0.1	(0.0)	(0.0)	(0.1)	(0.0)	0.1	(0.1)
Funds held in trust	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	(0.0)	(0.5)	0.1	(0.5)	0.7	0.1	(0.2)	(1.2)
Other receivable	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Inventory	0.4	0.1	0.0	0.0	(0.0)	0.0	0.0	(0.0)
Prepaid expenses	(0.2)	(0.0)	(0.1)	(0.0)	(0.0)	0.1	(0.2)	(0.1)
Accounts payable and accrued liabilities	(0.2)	0.9	1.2	(0.3)	0.9	0.3	0.4	(0.9)
Deferred revenue	0.2	0.2	(0.3)	(0.1)	(0.3)	0.1	(0.1)	0.1
Changes in non-cash operating working capital	0.5	1.8	0.9	(0.9)	1.1	0.7	0.1	(2.2)
Cash provided by (used in) operations	**(0.9)**	**(1.7)**	**(12.8)**	**(3.1)**	**(2.5)**	**(3.4)**	**(3.8)**	**(5.9)**
Investing activities:								
Purchase of short term investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Funds held in trust	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IEL acquisition costs	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of intangible assets	(0.4)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0
Loan note	(0.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of equipment	(0.2)	(0.6)	(0.8)	(0.1)	(0.4)	(0.1)	(0.1)	(0.1)
Cash provided by (used in) investing activities	**(1.5)**	**(0.7)**	**(0.8)**	**(0.1)**	**(0.4)**	**(0.1)**	**(0.1)**	**(0.1)**
Financing activities:								
Issuance of common shares and warrants	0.0	5.6	24.1	0.0	0.0	24.1	0.0	0.0
Share issuance costs	0.0	(0.5)	(2.3)	0.0	0.0	(2.3)	(0.0)	0.0
Restricted cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash guarantee on common shares issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accretion and amortization realized on early redemptic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7
Debentures	0.0	0.0	8.0	8.0	0.0	0.0	0.0	(8.0)
Debentures issuance costs	0.0	0.0	(1.0)	(1.0)	(0.1)	0.0	0.0	(0.0)
Cash provided by (used in) financing activities	**0.0**	**5.1**	**28.7**	**7.0**	**(0.1)**	**21.8**	**(0.0)**	**(7.3)**
Net increase (decrease) in cash and cash equivalents	(2.3)	2.7	15.2	3.8	(3.0)	18.3	(3.9)	(13.3)
Cash and cash equivalents, beginning	6.9	4.6	7.3	7.3	11.1	8.2	26.4	22.5
Cash and cash equivalents, ending	4.6	7.3	22.5	11.1	8.2	26.4	22.5	9.2

Source: Company Reports, RJ Research estimates and analysis

IMPORTANT DISCLOSURES:

Research Analyst Certification:

The views expressed in this report (which include the actual rating assigned to the company as well as the analytical substance and tone of the report) accurately reflect the personal views of the analyst(s) covering the subject securities. No part of said person's compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

Stock Ratings:

Strong Buy 1: the stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months.

Outperform 2: the stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months.

Market Perform 3: the stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities.

Underperform 4: the stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

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